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Fiscal Notes Prepared by the Missouri State Auditor's Office in 2010

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Fiscal Note Number	Date Received	Fiscal Note Description	Date Submitted to Secretary of State
10-23	12/17/2010	Proposal Related to Chapter 116, RSMo, version I & R-c-2012 (Calzone)	01/19/2011
10-22	12/20/2010	Proposal Related to Social Security Administration Form 8015, (Brown)	Rejected by Sec of State
10-21	12/20/2010	Proposal Related to Chapter 116, RSMo, version I & R-b-2012 (Calzone)	Withdrawn by Petitioner
10-20	12/20/2010	Proposal Related to Chapter 116, RSMo, version I & R-a-2012 (Calzone)	Withdrawn by Petitioner
10-19	12/17/2010	Proposed Constitutional Amendment - Article VIII, version 2, (Cologna)	01/07/2011
10-18	12/17/2010	Proposed Constitutional Amendment - Article VIII, version 1, (Cologna)	01/07/2011
10-17	12/06/2010	Proposal Related to Chapter 115, RSMo, (Cologna)	12/30/2010
10-16	11/29/2010	Proposal Related to Chapter 288, RSMo, (Brown)	Rejected by Sec of State
10-15	11/15/2010	Proposed Constitutional Amendment - Article X, Section 4(b), Section 6.1-4, & Section 8, (LaViolette)	12/10/2010
10-14	11/10/2010	Proposed Constitutional Amendment - Article I, version 1b, (Calzone)	12/09/2010
10-13	11/10/2010	Proposed Constitutional Amendment - Article I, version 1a, (Calzone)	12/09/2010
10-12	11/10/2010	Proposed Constitutional Amendment - Article VI, (Calzone)	12/09/2010
10-11	11/05/2010	Proposed Constitutional Amendment - Article X, Section 25, (Kriegshauser)	12/02/2010
10-10	05/25/2010	House Bill 1764	06/07/2010
10-09	04/19/2010	Proposal related to MOSERS Board of Trustees, (Brown)	Rejected by Sec of State
10-08	03/15/2010	Proposed Constitutional Amendment - Article IV, Section 30, version 2, (Reed)	04/09/2010
10-07	03/09/2010	Proposal Related to Chapter 565, RSMo, (Young)	Withdrawn by Petitioner
10-06	03/09/2010	Proposal Related to Chapter 561, RSMo, (Young)	Withdrawn by Petitioner
10-05	02/17/2010	Proposed Constitutional Amendment - Article IV, Section 36, (Reed)	03/18/2010
10-04	02/17/2010	Proposed Constitutional Amendment - Article IV, Section 30, (Reed)	Rejected by Sec of State
10-03	02/17/2010	Proposed Constitutional Amendment - Article IV, Section 17, (Reed)	03/18/2010
10-02	01/12/2010	Proposal Related to the Recall of a St. Louis County Official, (Brown)	Rejected by Sec of State
10-01	01/04/2010	Proposal Related to Chapter 86 and 87, RSMo, version 2, (Ketcher)	Withdrawn by Petitioner

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**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-03)**

Subject

Initiative petition from Steven Reed regarding a proposed constitutional amendment to Article IV, Section 17. (Received February 17, 2010)

Date

March 9, 2010

Description

This proposal would amend Article IV, Section 17 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, **St. Louis County Election Board**, **St. Louis Election Board**, **Kansas City Election Board**, **Jackson County Election Board**.

Assumptions

The **Attorney General's Office** indicated they assume that any potential costs arising from this proposal can be absorbed with existing resources.

The **Department of Economic Development** indicated that this initiative petition will have no fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition will have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no anticipated cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this legislation will have no fiscal impact on the department.

The **Department of Social Services** indicated there is no fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this petition is passed by the voters.

The **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

The **Office of Administration** indicated there should be no added costs or savings to the Office of Administration if this petition is passed by the voters.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified

for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

In accordance with section 115.065 the state of Missouri could be responsible for some election costs resulting from the passage of this amendment. The state would be required to pay proportional costs of a recall election depending on the date of the election. A statewide election with only a statewide issue on the ballot (like the presidential preference primary) could cost approximately \$7 million.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from **Rockwood School District** indicated they do not foresee any costs or savings as a result of this petition.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

Metropolitan Community College indicated this petition would have no direct fiscal impact on their organization.

Officials from the **Kansas City Election Board** indicated the cost for processing this petition would be between \$10,000 and \$15,000.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Missouri House of Representatives**, the **Department of Transportation**, the **Office of the State Treasurer**, **Boone County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**, **St. Louis County Election Board**, **St. Louis Election Board**, **Jackson County Election Board**.

Fiscal Note Summary

State governmental entities could incur costs up to \$7 million for recall elections, depending on the date of the election. Costs to state governmental entities for reimbursement of legal and personal recall election expenses of a state officer who is not recalled are unknown. Local governmental entities could incur costs for recall elections.

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-05)

Subject

Initiative petition from Steven Reed regarding a proposed constitutional amendment to Article IV, Section 36. (Received February 17, 2010)

Date

March 9, 2010

Description

This proposal would amend Article IV, Section 36 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

Assumptions

The **Attorney General's Office** indicated they assume that any potential costs arising from this proposal can be absorbed with existing resources.

The **Department of Economic Development** indicated that this initiative petition will have unknown fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition will have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no anticipated cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated they would need to notify 150,000 registered sales tax accounts of the increased rate. Costs for letters, envelopes, and postage total \$75,750.

The **Department of Social Services** indicated there is no fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this petition is passed by the voters.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

The **Office of Administration** indicated there should be no added costs or savings to the Office of Administration if this petition is passed by the voters.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million

historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will have no impact on their office.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

Metropolitan Community College indicated this petition would have no direct fiscal impact on their organization.

The **State Auditor's Office** notes the 1/10th cent sales and use tax currently levied for parks and soils has generated approximately \$82 million in FY2007 and FY2008 and approximately \$77.2 million in FY2009. Assuming negative revenue growth for FY2010 and subsequent positive revenue growth in CY2011, the tax may generate approximately \$77 million.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Transportation**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, **St. Louis Community College**.

Fiscal Note Summary

The additional revenue generated by the levy of a sales and use tax of one-tenth of one percent for one year is approximately \$7.7 million. The estimated cost to state governmental entities is \$75,750. It is estimated the proposal would have no cost or savings to local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-08)**

Subject

Initiative petition from Steven Reed regarding a proposed constitutional amendment to Article IV, Section 30, version 2. (Received March 15, 2010)

Date

April 2, 2010

Description

This proposal would amend Article IV, Section 30, version 2 of the Missouri Constitution.

The amendment is to be voted on in November, 2010.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

Assumptions

The **Attorney General's Office** indicated they assume that any potential costs arising from this proposal can be absorbed with existing resources.

The **Department of Economic Development** indicated they anticipate no fiscal impact as a result of this initiative petition.

The **Department of Higher Education** indicated that this initiative petition will have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated that this initiative, if passed, will have no anticipated cost or savings to the department.

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated they assume there are approximately 3,500 retailers of motor fuel and they would all need to be notified of the new sales tax rate. Costs for letters, envelopes, and postage total \$1,768.

The **Department of Public Safety** indicated their office assumes no fiscal impact.

The **Department of Social Services** indicated there is no fiscal impact to the department.

The **Governor's Office** indicated there should be no added costs or savings to the Governor's Office if this petition is passed by the voters.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition will have no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

The **Office of Administration** indicated that if this initiative petition is approved by the voters it will not result in any costs or savings to the Office of Administration.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230 - 116.290, RSMo. The Secretary of State's office is provided with core funding to handle a

certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **Office of the State Treasurer** indicated this initiative petition will have no impact on their office.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

Metropolitan Community College indicated this petition would have no direct fiscal impact on their organization.

The **State Auditor's Office** notes that for FY09, 3,164,010,652 taxable gallons of gasoline and 1,082,935,192 taxable gallons of diesel were reported to the Department of Revenue.

However, because the proposal contains many uncertain terms and implementation appears difficult and imprecise, and because it appears to intend to include only automobiles, trailers, motorcycles, and mopeds as those fuel-propelled vehicles that are subject to the 1/10th cent sales tax, the SAO has excluded diesel for the purposes of this fiscal note since trucks and buses seem to be excluded (while trailers, that are not propelled, are included in the proposal).

Further clarification is needed regarding the term "fuel" and whether it includes alternative fuels such as electricity, LP, compressed natural gas, etc. For purposes of this fiscal note, the SAO has excluded these fuels.

In addition, because the proposal conflicts with existing constitutional provisions related to motor fuel taxes that are deposited into the state road fund and subsequently distributed to local governmental entities, for purposes of this fiscal note the SAO assumes the

proposal would preempt those existing provisions and no new revenue would be distributed to local governmental entities.

Assuming a cost of gasoline of \$2.50 per gallon, and assuming the proposal would exclude federal and state excise taxes of approximately \$.35 per gallon, a 1/10th cent sales tax would generate approximately \$67,709,828 based on FY09 data.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **University of Missouri**, **St. Louis Community College**.

Fiscal Note Summary

The additional revenue generated by the levy of a sales tax of one-tenth of one percent on fuel used by certain vehicles is approximately \$67.7 million. The estimated cost to state governmental entities is \$1,768. It is estimated the proposal would have no cost or savings to local governmental entities.

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-10)**

Subject

HB1764 with a referendum clause. (Received May 25, 2010)

Date

June 7, 2010

Description

This proposal would repeal Section 375.1175, RSMo, and enact in lieu thereof two new sections relating to insurance.

The proposal is to be voted on in August, 2010.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's Office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **Office of the State Treasurer**, **Boone County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, the **City of Springfield**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

Senator Joan Bray provided information to the State Auditor's Office.

The Missouri Health Advocacy Alliance provided information to the State Auditor's Office.

Assumptions

The **Attorney General's Office** indicated they assume the costs of this proposal are unknown, but can be absorbed with existing resources.

The **Department of Economic Development** indicated this proposal would have no impact on their department.

The **Department of Higher Education** indicated that this bill would have no direct, foreseeable fiscal impact on their department.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated the impact on the Department is unknown. If approved by the voters, this statutory change may have an unknown negative fiscal impact because the interaction of these state statutory changes with future federal government implementation, including federal regulations, is uncertain.

The Patient Protection and Affordable Care Act will provide federal funding for health care to Missourians. This funding includes, but is not limited to: Missouri's share of \$5 billion to provide health insurance coverage for Missourians with pre-existing medical conditions; Missouri's share of \$5 billion to establish a temporary reinsurance subsidy for Missouri businesses to continue to offer health insurance to early retirees; Missouri's share of \$30 million to provide health insurance consumer assistance and Missouri's share of \$250 million to establish meaningful health insurance rate review.

The **Department of Mental Health** indicated the impact on the Department is unknown.

If approved by the voters, this statutory change may have an unknown negative fiscal impact because the interaction of these state statutory changes with future federal government implementation, including federal regulations, is uncertain.

The Patient Protection and Affordable Care Act will provide federal funding to expand health care coverage to Missourians currently not insured by private or public insurance plans. This funding includes, but is not limited to:

1. An estimated \$21.4 billion from 2014 to 2023 to expand physical and mental health care coverage to thousands of currently uninsured Missourians, for example an individual whose income is at or below \$14,400 or a Missouri family of four whose income is at or below \$29,327;
2. In addition to general medical care, this coverage could include the following types of services for those who need them:
 - a. Early diagnosis and treatment for children with developmental disabilities, including children with Autism,

- b. Ongoing treatment for children and adults with serious, ongoing mental illnesses, and
- c. Treatment for children and adults affected by alcohol and other drug addictions.

The **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

The **Department of Corrections** indicated this proposal will have no impact on the department.

The **Department of Revenue** indicated this has no fiscal impact on their department.

The **Department of Public Safety** indicated they defer to Missouri Consolidate Health Care Plan's response to this proposal.

The **Department of Social Services** indicated the impact on the Department is unknown. If approved by the voters, this statutory change may have an unknown negative fiscal impact because the interaction of these state statutory changes with future federal government implementation, including federal regulations, is uncertain.

The Patient Protection and Affordable Care Act will provide federal funding for services to Missourians. This funding includes, but is not limited to an estimated \$21.4 billion from 2014 to 2023 to provide health care coverage to more uninsured Missourians and increased Medicare Part D coverage for seniors by closing the donut hole by 2020.

The **Governor's Office** indicated there should be no added costs or savings to the Governor's Office if this statutory change is passed by the voters.

Officials from the **Missouri House of Representatives** indicated the proposal has no fiscal impact to the operations budget of their agency.

The **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this legislation and referendum proposal.

The **Office of Administration** indicated that if approved by the voters this statutory change will not result in any cost or savings to the Office of Administration. However, it may have a statewide negative fiscal impact (amount unknown) because of the uncertain interaction of these statutory changes with future federal government implementation, including federal regulations.

The Patient Protection and Affordable Care Act provides federal funding for services to Missourians. This funding includes, but is not limited to:

- Health care coverage to more uninsured Missourians—\$21.4 billion from 2013-2024.
- Health insurance coverage for Missourians with pre-existing medical conditions—Missouri's share of \$5 billion.
- Temporary reinsurance subsidy for Missouri businesses to continue to offer health insurance to early retirees—Missouri's share of \$5 billion.
- Increased Medicare Part D coverage for seniors.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this proposal.

Officials from the **Missouri Senate** indicated this proposal appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230 - 116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this proposal will not have any significant impact on their office.

Officials from the **Office of the State Treasurer** indicated this proposal will have no impact on their office.

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this proposal become law.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their organization.

Metropolitan Community College indicated currently, this legislation would have no significant fiscal impact on their organization, although it could be quite significant in the future.

Senator Joan Bray provided information in opposition to this proposal. Below is a summary of her information:

Fiscal Comment

This initiative petition contains language that is designed to enable the State of Missouri to opt out of the federal health care reform law, the Patient Protection and Affordable Care Act (PPACA). More specifically, the legislation would opt out of the "individual mandate" of PPACA. Assuming this provision could legally be implemented in Missouri, it would have a substantial negative fiscal impact on our state. And in assessing the fiscal impact, we have to assume that the bill could actually take effect.

A. Consequences of Opting Out of the Individual mandate

Taken literally, this language would opt out of just one provision - the individual mandate - of the federal health care law. Thus, all of the federal law's "private market insurance reforms" would still go into effect, including reforms requiring insurance companies to serve people regardless of any pre-existing conditions. As noted by Congress in PPACA, the impact of such market reforms without an individual mandate would result in individuals making "an economic and financial decision to forego health insurance coverage" until they get sick, thereby causing health care premiums to skyrocket in our state.¹ Thus, PPACA provisions encouraging healthy individuals to purchase insurance are "essential to creating effective health insurance markets."

Furthermore, the individual mandate is intertwined with the "guaranteed issue" requirements and the health care exchange provisions of the Act. In order to receive a premium subsidy, an individual must purchase insurance through the health insurance exchange. Under this legislation, Missouri would not be able to operate an exchange under the terms of PPACA, thus Missourians would be denied the opportunity to receive premium subsidies. If Missouri votes against health reform, billions of dollars in help with the costs of purchasing insurance for hard-working Missourians is lost. The loss of these dollars would of course have an additional economic impact on our state through lost jobs, economic activity and tax revenue that would be generated by these health insurance premiums.

The Department of Insurance and the State Auditor's office must calculate the fiscal impact of implementing federal "guaranteed issue" requirements of the PPACA law without an individual mandate on the cost of health care premiums in our state, its economy and the state budget. The Congressional Budget Office has estimated that average premiums would be 7 percent to 10 percent lower because of the influx of enrollees with below average spending for health care who would purchase coverage because of the new subsidies to be provided and the individual mandate. The State Auditor should take this into account and assume that Missouri health insurance premiums would be at least 7 percent to 10 percent higher under the proposed ballot

¹ Patient Protection and Advocacy Act of 2010, § 1501(a)(2)(A).

measure.² In fact, other studies show an even greater impact from implementing insurance reforms without an individual mandate. An analysis by Wellpoint indicated that the impact of guaranteed issue without an effective individual mandate would be premium increases ranging from 20 percent to 80 percent.³ In New Jersey, premiums rose by 24 percent in the employment based larger group market and between 112 percent and 155 percent in the non-group indemnity insurance market between 1996 and 2000 when that state implemented community rating and guaranteed issue without an individual mandate - which is what would happen under the literal language of this bill.⁴

Of course, this would affect not only private insurance premiums but the Missouri Consolidated Health Care Plan and Medicaid as well. This change would affect the cost of all state and local government employees' health insurance benefits. Moreover, to the extent that the state purchases or subsidizes goods and services from many firms that offer health insurance to their workers, it would raise the price of goods purchased by the state and diminish the impact of state grants for education by raising the price of health insurance received by school employees.

In addition, the lack of an individual mandate would simply cause fewer people to purchase health care insurance such as private health insurance or employer-sponsored health insurance. With fewer people covered, Missouri health providers would receive fewer payments for services, have less income and, thereby, limit state revenue. The State Auditor's office must analyze the negative fiscal impact this decrease in the number of insured and insurance premiums collected would have on our state.

B. Other Related Fiscal Consequences

In addition to the specific negative impact of opting out of the individual mandate, the real intent of the proposed ballot measure is to opt out of federal health care reform entirely, which could cost Missouri billions of federal dollars in low-income subsidies and Medicaid funds, not to mention access to many other funding streams created by PPACA. For example, one estimate by the Missouri Department of Social Services indicated that Missouri would receive more than \$21 billion in federal Medicaid funds over a ten-year period starting in 2014. The State Auditor, with assistance from the relevant state departments, should analyze the financial impact of opting out entirely from federal health care reform. Even if we were to assume that this legislation is not intended to opt out of federal reform entirely, the lack of a mandate would surely have a negative impact on the number of Missourians that enroll in all forms of insurance, including Medicaid, thereby reducing the flow of federal funds to our state.

² Congressional Budget Office, *An Analysis of Health Insurance Premiums Under the Patient Protection and Affordable Care Act*, at 6, November 30, 2009.

³ Wellpoint, *Health Care Reform Premium Impact in Missouri*, at 8, undated (available at: http://www.politico.com/static/PPM143_091023_missouri_premium_impacts_analysis.html).

⁴ Uwe E. Reinhardt, *The Case for Mandating Health Insurance*, October 23, 2009 (available at: <http://economix.blogs.nytimes.com/2009/10/23/the-case-for-mandating-health-insurance/>).

The legislation would also undoubtedly have a substantial negative financial impact on state services. More people would be uninsured and would go without medically necessary treatment until they were at the point of requiring more expensive emergency room care, which would also have a negative impact on premiums for all Missourians. More people would become sick, lose their jobs and rely on state-funded health care services instead of the private insurance market at the point at which they are healthy.

The specific language in the bill also would have unintended consequences well beyond opting out of federal health care reform. The bill would limit government's ability to mandate that anyone participate in any type of health insurance system, not just the system created by the federal health care reform law. The ballot measure would, for example, prohibit the state from making legislative changes to enroll more individuals in Medicaid (MO HealthNet) managed care programs, such as those recommended by the Senate's "Reboot Government" working group in which I participated. While the bill exempts from its prohibition any laws or regulations already in place as of January 1, 2010, it does not exempt future efforts to expand mandatory risk-based managed care, which would require new state legislation. Arizona's Medicaid managed care program identified substantial state costs in response to a similar proposal in that state.⁵ Missouri's Medicaid program should undertake a similar analysis of the consequences of such language in Missouri. The State Auditor's fiscal note must take into account the financial impact of limiting the state's options to mandate participation in a managed care system.

C. Unintended Litigation Costs

Finally, the legislation would place Missouri squarely in conflict with federal law, leading to unnecessary, burdensome and costly litigation with the federal government, including the Department of Justice. The costs of this litigation may also include attorneys' fees awarded against the state - given the obvious conflict with federal law and the lack of any legal merit to the State's position in such litigation in light of the federal supremacy clause.

The multitude of unintended consequences of this radical measure are impossible to foresee, but doubtless would include substantial negative fiscal consequences for Missouri. Insofar as other states are already pursuing lawsuits contesting the constitutionality of the federal law, Missouri need not expend resources to test this issue under either a ballot issue or a lawsuit. This would simply drive up state costs with no apparent benefit to the state. If other states' lawsuits are successful, the federal law will be declared illegal and the goal will have been realized. If they are unsuccessful, then the state costs for this ballot and for a lawsuit will have been wasted.

To conclude, it is critical that the state analyze what would happen if this measure were actually implemented rather than simply assume that this measure will go away

⁵ Public Letter from Anthony D. Rodgers, Director of The Arizona Health Care Cost Containment System, at 2-3, dated September 18, 2008.

with litigation. This requires a careful analysis of all of the fiscal consequences of the measure, including the unintended consequences.

The Missouri Health Advocacy Alliance provided information in opposition to this proposal. Below is a summary of their information:

The fiscal impact of the adoption of the ballot measure outlined in HB 1764 would be seen in at least three areas:

Referencing House Bill 1764

Section 1.330.1. No law or rule shall compel, directly or indirectly, any person, employer, or health care provider to participate in any health care system.

Section 1.330.2. A person or employer may pay directly for lawful health care services and shall not be required by law or rule to pay penalties or fines for paying directly for lawful health care services. A health care provider may accept direct payment for lawful health care services and shall not be required by law or rule to pay penalties or fines for accepting direct payment from a person or employer for lawful health care services.

The effect of Section 1.330.1 of House Bill 1764 would be to exempt Missouri residents from the requirements of the federal law, entitled the Patient Protection and Affordability Act (PPACA), that requires citizens to carry health insurance or face an IRS imposed penalty, commonly called the “individual mandate.”

Increases in the cost of State and Local Employees’ Health Plans:

PPACA will require Missouri to adopt a policy of guaranteed issue, a requirement that insurers provide insurance to any person who applies for coverage regardless of health status, but the ballot initiative would preclude *requiring* all individuals to purchase insurance. Studies have demonstrated¹ that states with “guarantee issue” and no “individual mandate” have seen increases as much as 24% in premium costs for large group market insurance². (New Jersey between 1994-2000 saw an increase of 24% in this market after the 1993 implementation of guaranteed issue)

It is reasonable to assume, based on other states’ experiences, the cost of providing employer-sponsored health insurance coverage for state and local government employees will rise by a significant percentage as a result of not implementing the federally mandated requirement for individuals to purchase insurance.

This increase in rates would impact all state and local employees’ health plans. The fiscal impact on Missouri Consolidated Health Care Plan, the state employees’ plan, could be a 24% increase in the cost of their health plans similar to the experience in New Jersey.

¹ Health Affairs 23, no.4 (2004)165-167. <http://content.healthaffairs.org/cgi/content/full/23/4/167>

² Uwe E. Reinhardt PhD Princeton, *The Case for Mandating Health Insurance*: October 23, 2009. Available at <http://economix.blogs.nytimes.com/2009/10/23/the-case-for-mandating-health-insurance/>

Small businesses, small political subdivisions and sole proprietors that rely on the individual or small group market, according to industry analysis³, should see a greater impact of guaranteed issue in the absence of an effective mandate ranges from an increase of 20% to 80%, and thus we show the midpoint increase of 50%.

Decreases in premium taxes collected by the state:

Two factors must be considered when estimating premium taxes collected as a result of PPACA and HB 1764.

PPACA would require all Missourians to purchase health insurance policies. The ballot initiative put forward by HB 1764 would exempt Missouri from such a requirement, thereby decreasing the number of people who will choose to purchase insurance and therefore fewer policies will result in decreases in premium taxes.

Wellpoint conducted an industry analysis⁴ on the cost of insurance in Missouri if PPACA's "guaranteed issue" and "community rating" provisions are implemented without an "individual mandate" to carry insurance. Under such a scenario (which would happen under HB 1764) the cost of health insurance, especially for younger, healthier persons in the individual and small group markets, will rise dramatically. Estimated increases in premium cost for this group are 80 to 120%. The effect of higher premiums, experienced in other states,⁵ is a significant increase in the number of persons deciding to drop coverage, further depriving the state of premium tax revenue.

The estimated loss of Premium Tax is unknown, but could be a significant percentage of the premium tax amount collected (\$56.6 million was collected in CY 08). Premium tax revenue is split 50/50 between state General Revenue and the County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies that pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal officer of the insurer is located. It is unknown to the extent to which each of these funds may be impacted, but it is predictable they will see some loss in revenue.

The disruption of Managed Care and Provider Networks:

There is a serious risk of unintended consequences posed by potential interpretations of the phrase "health care system" as stated HB 1764 Section 1.330.1. *No law or rule shall compel, directly or indirectly, any person, employer, or health care provider to participate in any health care system.*

³ Wellpoint, *Health Care Reform Impact in Missouri*, undated. Available at http://www.politico.com/static/PPM143_091023_missouri_premium_impacts_analysis.html

⁴ Wellpoint, *Health Care Reform Impact in Missouri*, undated. Available at http://www.politico.com/static/PPM143_091023_missouri_premium_impacts_analysis.html

⁵ Health Affairs 23, no.4 (2004)165-167. <http://content.healthaffairs.org/cgi/content/full/23/4/167>

The law could prohibit Missouri from enrolling people into MoHealthNet or MCHCP managed care plans. This would have the effect of implementing a system commonly referred to as “Any Willing Provider” (AWP)

A Bush Administration Council of Economic Advisors⁶ study done in 2004 concluded that AWP provisions in practice can raise insurance cost as high as 5.3%.

This increase in rates would impact all state and local employees’ health plans. The fiscal impact of a 5.3% increase in the cost of the health plans on Missouri Consolidated Health Care Plan could be as high as \$26 million dollars per year (based on the \$540 per month per member cost⁷ of insuring MCHCP membership of an estimated 107,000 lives with an average of 75% state/employer contribution per covered life.)

The managed care portion of the state’s MoHealthNet program for pharmacy, physician services, chronic care risk management and major medical are funded with hundreds of millions of dollars in Missouri General Revenue and the Federal Medicaid Match, which accounts for almost twice as much as the State’s obligations. Increases in costs associated with restrictions to the state’s ability to enter into future managed care or other network-based contracts are difficult to estimate but evidence suggests it would be significant. Managed care rates are discounted from what would otherwise be paid under fee-for-service and the Mercer company indicated 2.7% in savings over fee-for-service. These savings would be lost if this legislation is implemented. The State Auditor should seek input from the MOHealthNet Division on the financial cost of restricting its ability to require participation in managed care plans.

In addition to increased costs in these three areas, the State would experience significant litigation costs and likely have to pay attorney’s fees should it have to defend the position expressed in HB 1764. If the provisions of HB 1764 become law, the State would also lose access to low-income subsidies or premium credits that Missourians would otherwise receive when they enroll in health insurance plans through the newly required and later implemented insurance exchanges. This loss in premium credits would result in a loss of economic activity and tax revenue for the state.

The State Auditor’s Office did not receive a response from the **Department of Agriculture, the Department of Elementary and Secondary Education, the Department of Health and Senior Services, the Department of Labor and Industrial Relations, the Department of Transportation, Boone County, Cole County, Greene County, Jackson County Legislators, St. Louis County, the City of Kansas City, the City of St. Louis, the City of Springfield, Cape Girardeau 63 School District, Hannibal 60 School District, Rockwood R-VI School District, University of Missouri, St. Louis Community College.**

⁶ Council of Economic Advisors, *Effect of State Regulations on the Price of Health Insurance Policies*: July 23, 2004 based on Showalter Study; William J. Congdon, Amanda Kowalski, Mark H. Showalter. Available at <http://www.jonmckane.com/Health%20Insurance/Showalter%20Study.pdf>

⁷ Missouri Consolidated Health Care Plan 2009 Annual Report: http://www.mchcp.org/About%20Us/aboutus_AnnualReport.asp

Fiscal Note Summary

It is estimated this proposal will have no immediate costs or savings to state or local governmental entities. However, because of the uncertain interaction of the proposal with implementation of the federal Patient Protection and Affordable Care Act, future costs to state governmental entities are unknown.

MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (10-11)

Subject

Initiative petition from Herman Kriegshauser regarding a proposed constitutional amendment to Article X, Section 25. (Received November 5, 2010)

Date

November 24, 2010

Description

This proposal would amend Article X, Section 25 of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, the **State Tax Commission**, **Clay County**, **Greene County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Assumptions

Officials from the **Department of Agriculture** indicated the Missouri Agricultural and Small Business Development Authority is authorized under Chapter 348.430 RSMo to grant an **Agricultural Product Utilization Contributor Tax Credit** in an amount up to 100% of funds contributed by a person, partnership, corporation, trust, limited liability

company, or other entity. Contributions to the Authority for this purpose qualify as a charitable donation under Section 170 of the Internal Revenue Service code.

Department officials said if initiative petition 10-11 reduces the state income tax credit to 60%, the Authority anticipates losing most if not all of its donations, which would eliminate the ability to make value-added grants to Missouri agricultural and small businesses. The Authority reported providing approximately \$12,000,000 of value-added grants from fiscal year 2000 to fiscal year 2010. Therefore, department officials said the impact on their department would be an average annual loss of \$1,090,909 in value-added grant funding.

Officials from the **Department of Economic Development** indicated they see no impact for their agency, so they are deferring to the Office of Administration.

Officials from the **Department of Elementary and Secondary Education** indicated tax subsidies reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials from the **Department of Higher Education** indicated that this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated that this initiative, if passed, should have no cost or savings to the department, the department defers to the Office of Administration, Budget and Planning response.

Officials from the **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Corrections** indicated there is no impact for the department for this initiative petition.

Officials from the **Department of Revenue** indicated the initiative petition will have a fiscal impact on the department. Department officials said the Office of Administration estimated this initiative petition would result in 2.1 million tax credit claims associated with the charitable donations. The department estimated this would result in 315,000 additional errors. Department officials estimated they would need 1 FTE per 19,000 errors resulting in the need for an additional seventeen (17) Revenue Processing Technician I for manual review at an estimated cost to the General Revenue Fund of \$684,758 for fiscal year 2012, \$728,609 for fiscal year 2013, and \$750,467 for fiscal year 2014.

In addition, the department officials said the department's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. The officials said due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, they estimated the IT portion of the fiscal impact at a level of effort valued at \$13,323. They calculated the value of the level of effort by taking 1 FTE for 3 months at \$4,441 per month to make updates to the individual income tax system.

Department of Revenue officials made the following recommendation regarding this proposal:

The current verbiage appears to allow multiple benefits for one donation. To prevent the taxpayer from receiving multiple benefits, something like the following could be added to the last sentence: "to the extent such contributions and donations that have been subtracted from federal adjusted gross income or federal taxable income are added back in the determination of Missouri adjusted gross income and to the extent such contributions and donations were not claimed as a tax credit under a separate tax credit program."

Officials from the **Department of Public Safety** indicated they are deferring to the Office of Administration on any fiscal impact for this proposal.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated passage of this proposal will annually reduce general and total state revenues \$5.529 billion beginning in fiscal year 2013, which is likely 70-80% of net general revenue collections.

Their estimate is based on the following assumptions and calculations. The proposed amendment creates a tax credit against state income taxes for individual and corporate contributors to specified not-for-profit entities, in addition to all current deductions allowable.

The tax credit is defined as a "60% state income tax credit against state income taxes." OA - Division of Budget and Planning (BAP) assumes this means the value of the credit equals 60% of the value of the donation.¹

Further, since there is no language addressing refundability, transferability, or carry-forward issues, BAP assumes the proposed credit would be fully refundable; i.e., if the

¹ Alternatively, the language could be interpreted to mean that for any size charitable donation, total state income tax liability is reduced 60%.

value of the credit exceeds the taxpayer's liability in the tax year in question, the taxpayer would receive the excess amount as a refund from General Revenue.

BAP assumes if this proposal is approved by voters in November 2012, it becomes effective immediately upon certification. Thus, the first year of fiscal impact would be Tax Year 2012, or Fiscal Year 2013.

BAP indicated the impact of the recent recession and subsequent recovery is unclear on the number and average of contributions.

Individual Income Tax

BAP's response is based on data from the IRS Statistics of Income for Missouri, Tax Year 2008 (the most recent available).² In that year, the IRS estimates 2,739,220 MO tax returns were filed; 854,059 filers itemized deductions, and 668,070 of filers who itemized reported contributions (78%). These contributions totaled \$2,810M, for an average of \$4,206 per filer.

BAP assumes that 2,136,592 filers (78% of all filers) make contributions at the average rate (\$4,206), equaling \$8.987 billion of contributions in 2008. BAP assumes a similar figure will be contributed in Tax Year 2012. A fully refundable 60%-credit will annually reduce general and total state revenues by \$5.392 billion.

Corporate Income Tax

BAP's response is based on data from the IRS Statistics of Income for Tax Year 2007 (the most recent available).³ In that year, the IRS estimates US corporations made \$14.248 billion in contributions. BAP assumes 1.6% of those were made by Missouri taxpayers,⁴ or \$228M. BAP assumes a similar figure will be contributed in Tax Year 2012. A fully refundable 60%-credit will annually reduce general and total state revenues by \$137M.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230 - 116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the

² <http://www.irs.gov/pub/irs-soi/08in26mo.xls>

³ <http://www.irs.gov/pub/irs-soi/07co02ccr.xls>

⁴ Based on the ratio of Missouri tax to the US Total, Morgan Quitno State Rankings 2010, p.267.

purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated that with regard to this initiative petition, there will be no direct fiscal impact to their office. Please defer to the Office of Administration Budget and Planning and the Department of Revenue.

Officials from the **State Tax Commission** indicated this proposed amendment will not impact their agency.

Officials from the **City of Jefferson** indicated the city does not anticipate any fiscal impact should this petition become law.

Officials from **Hannibal 60 School District** indicated that this initiative would have a negative financial impact on the revenue stream for public schools. The officials said they cannot state for fact what the dollar amount of the impact would be, but in simple terms, that part of those particular taxes under Article X, Section 25 distributed to the District would be reduced by 60%.

Officials from **Linn State Technical College** indicated that based on the information presented, if this results in a drastic reduction in general revenue for the State of Missouri, there may be a fiscal impact on their college since the majority of their state appropriations come from general revenue funds.

Officials from **Metropolitan Community College** indicated there is not enough information to determine the actual fiscal impact of this petition. However, they said since it would reduce the amount of general revenue available to the State of Missouri, it would likely have a negative fiscal impact on their college.

The State Auditor's office did not receive a response from the **Attorney General's office**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Department of Social Services**, the **Governor's office**, the **Department of Transportation**, the **Office of State Courts Administrator**, the **Missouri Senate**, **Clay County**, **Greene County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Rockwood R-VI School District**, **University of Missouri**, and **St. Louis Community College**.

Fiscal Note Summary

The cost to state and local governmental entities is estimated to exceed \$5 billion annually.

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-12)**

Subject

Initiative petition from Ron Calzone regarding a proposed constitutional amendment to Article VI, Section 21. (Received November 10, 2010)

Date

November 30, 2010

Description

This proposal would amend Article VI, Section 21 of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, the **State Tax Commission**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Gladstone**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Assumptions

Officials from the **Attorney General's office** indicated they assume that the implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposed amendment would not have any fiscal impact on their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Corrections** indicated this initiative petition will have no impact for their department.

Officials from the **Department of Revenue** indicated this initiative petition has no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated they assume there will be no fiscal impact on their department.

Officials from the **Department of Social Services** indicated that since this proposal deals with local property issues, there is no fiscal impact to their department.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact to their office. They also indicated there should be no impact on general or total state revenues.

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with

core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated that with regard to this initiative petition, there will be no direct fiscal impact to their office. Please defer to the Office of Administration Budget and Planning and the Department of Revenue.

Officials from the **State Tax Commission** indicated this initiative petition will not have a fiscal impact to their agency.

Officials from **St. Louis County** indicated the county is opposed to the changes proposed in Article I, Sections 26-28 and in Article VI, Section 21. They estimated the costs of the proposed changes to the county at \$26,920,000 based on the following computations and comments:

Section 26 - Must be declared for public good or owners consent.

Cost \$400,000:

4 parcels @ \$50,000 each for two years because St. Louis County will not be able to condemn some properties. Properties might not be considered necessary to the project due to a very liberal definition of "necessary" but because of topography, property lines, and minimal AASHTO Standards, must be encroached on by the project construction.

Section 26 - Use of other than industry standard appraisal information:

For a typical year, St. Louis County estimates the cost to be \$6 million because nontraditional methods may be applied.

20 parcels @\$150,000 average for two years.

Section 26 - Property cannot be used until final determination by court.

Cost = \$20 million. Delay to projects will cause increase in construction costs. 10 projects @ \$1,000,000 each increase per year for two years.

Section 28, paragraph 2: Property can be sold to owner if project inactive for five years. Cost = \$520,000. St. Louis County estimates 2,000 hours of employee time @ \$30/hour to duplicate efforts and property research costs to repurchase properties for the project. This projection includes additional time to sell parcel back to original property owner. This includes an estimated \$200,000 in property value increase: 100 properties @ \$2,000 each for two years.

The proposed change to Section 26 states, "The value of the property may be determined by, but is not limited to, appraisal methods typical to the ordinary course of business, and any evidence which would be considered by an appraiser in the ordinary course of business shall be relevant and admissible". That sentence relating to how to value property taken in condemnation seems to be an attempt to define what is relevant evidence. Broadening the evidence to include matters that appraisers don't usually consider does not help either party in such a proceeding. The phrase "but is not limited to" could be so loosely interpreted as to include opinions of value founded upon speculation and unsupported claims.

Also in Section 26, the sentence that prohibits the disturbance of property "until a final legal determination of the legitimacy of the taking is established..." could result in substantially increased construction costs, especially relating to highway projects. For example, in a highway project that consists of multiple parcels, no construction contract could be let until all legal challenges are finally disposed. In order for a challenge to be finally disposed of, all appeals and requests for transfers and rehearings (including any remands to the trial level) must be complete. This process may take years, and in certain cases, the appellate process may jeopardize the status of parcels for which there were no legal challenges, because of the passage of time referenced in Section 28, paragraph 2.

In the changes proposed in Section 28, the five-year requirement of "substantial accomplishment of the declared purpose" would prove problematic in long-term road expansions and improvements, such as St. Louis County's Baxter Road project.

Officials from the **City of Kirkwood** indicated this initiative petition will have no impact on their city.

Officials from the **City of St. Louis** indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the city. In addition, the following related information was provided by the city.

The initiative petition proposes changes to Article I, Sections 26, 27, and 28 that would prohibit the use of eminent domain for redevelopment by providing that: (a) only public entities can acquire property using eminent domain; (b) no private ownership or other private rights shall be considered a public use; (c) the future use must be declared at the time of acquisition and cannot be changed; and (d) the public entity that acquired the property via eminent domain cannot transfer such property to private ownership any sooner than twenty (20) years following the acquisition unless the original owner has been offered the right to buy back the property at the original price or unless the private owner is providing products or services incidental to the function of a publicly owned facility. Section 5 of the proposed amendment to Article I, Section 28, also appears to change Article VI, Section 21, by effectively stripping out the ability of local governments to use eminent domain for redevelopment that involves private entities through a provision that states that the proposed revisions to Article I, Sections 26, 27, and 28 limit the application of Article VI, Section 21. These proposed changes will result in both extreme costs and extreme loss of revenue to the City. The city uses eminent domain sparingly. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

In 1950, the city had 850,000 people—today, they have just over 350,000. As a result of this population loss, there are now thousands of vacant lots and structures in the City of St. Louis. As a result of this population loss, many former residences and businesses have now become vacant buildings and vacant lots. Many of these vacant properties have fallen into city ownership by default—when the private owner did not pay property tax due, the property was placed in a tax foreclosure sale, and if a private party did not bid on the property its ownership was transferred to the Land Reutilization Authority. Redeveloping this decay would be easy if all of the properties were side by side—and if all of our vacant buildings and lots were owned by the city. In fact, they are not. The city-owned properties are scattered among many properties in the hands of private owners. Too many of these privately held properties are also blighted, making it very difficult—and in some cases nearly impossible—to redevelop these run-down areas. The vast majority of our privately owned vacant buildings and lots are not maintained by their private owners.

The result is that some of the City of St. Louis' neighborhoods are the best in the State of Missouri. But, others are plagued by poverty, poor infrastructure, and violence.

The City of St. Louis has made great progress in turning some of these neighborhoods around. But, it would not have happened without the possible use of eminent domain. Other neighborhoods waiting to be redeveloped will remain blighted if developers do not know at the beginning of a project that they will be able to complete it.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind when half a million people left the City of St. Louis. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses gain leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. Developments like CORTEX, the new Pinnacle entertainment development, and Botanical Heights would no longer be possible—and it may not even be possible to complete those major developments that are already underway. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the city cannot address the distress that currently exists in the city using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. They cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct their tax base without partnerships

with private enterprise. The proposed amendment would prohibit partnerships with private enterprise in redevelopment.

If the city is forced to address its distressed areas by using city funds and twenty-year city ownership to cure the distress, before having the ability to acquire and sell the property to responsible owners, the result will be a significant additional cost to the City of St. Louis, as detailed on the attachments below. Further, since the city cannot possibly afford this cost, estimated at over \$40 million per year, the vast majority of these distressed areas will remain distressed. The proposed amendment would render the city powerless to arrest the decline that has occurred over the past five decades, and set the stage for greater decline in the future as the proposed amendment rewards speculators, slumlords and predatory land owners for their irresponsible behavior by eliminating one of the few effective tools for addressing the problems they cause.

Over the years, the city has also come to own many properties in distressed areas due to property tax and other lien foreclosures—this is but one symptom of areawide distress. Many of the distressed properties in the city remain in private ownership, even though they are for all practical purposes abandoned, because their owners pay minimal property taxes and weed and trash removal liens. Approximately 3,700 vacant buildings and 10,000 vacant lots remain in private ownership. This private ownership of abandoned property causes problems for both neighboring residents and businesses and the city and impairs the city's ability to heal itself after five decades of decay.

In addition, redevelopment of both publicly owned and privately owned vacant properties is seldom feasible without the ability to combine those parcels with other blighted property for redevelopment, since most of the city was originally platted in 25-foot frontage increments. Today, a 25-foot lot is virtually useless for any purpose, residential or commercial. The proposed amendment would render the city unable to engage in redevelopment of these properties unless the city used public funds to do so. As detailed on the attachments below, they estimate that this inability to engage in redevelopment would cost the city more than \$40 million annually in lost future revenues, in addition to the \$40 million in additional city costs the city would incur in direct city funding of redevelopment activities directed towards alleviation of nuisance and problem properties.

The analysis in Attachment B provides detail on the types of costs the city would incur and the types of revenue losses the city would suffer if the amendment were to become law. Given the complexity of the issue and the amount of time available to provide this fiscal note, these figures are necessarily estimates. They believe, however, that the methodology described in Attachment B provides a reasonably accurate assessment of the fiscal impact to the City of St. Louis related to the impacts analyzed. In addition, in the interest of time, the attached assessment does not include each and every fiscal impact on the city—there are others which could be detailed if more time were available. The attached chart

(Attachment A) summarizes the results of the methodologies applied in Attachment B and the estimated fiscal impact of the constitutional amendment.

As noted on the chart in Attachment A, they estimate that the total negative fiscal impact of the proposed Constitutional Amendment on the City of St. Louis is nearly (\$70 million) annually, and nearly (\$750 million) over a ten-year period. In addition, the amendment would produce a related negative fiscal impact on responsible private property owners whose property values suffer because of blight, absentee landlords, and predatory land owners.

ATTACHMENT A
SUMMARY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION
(Estimate Details Provided on Exhibit B)

CITY OF ST. LOUIS

COST OR LOST REVENUE ITEM:	ANNUAL COST/ REVENUE LOSS:	10-YEAR COST/ REVENUE LOSS-- 2.5% ANNUAL INFLATION:	NOTES:
ESTIMATED CITY NEW/CONTINUING COSTS:			
Nuisance Identification/Abatement Management:	(\$2,725,000)	(\$31,066,152)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,750,000)	(\$282,160,462)	
--Demolition:	(\$1,732,500)	(\$21,945,814)	
--Weed Cutting/Debris Removal:	(\$13,860,000)	(\$123,322,900)	10-year cost reduced by vacant lots assumed to be redeveloped
ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:			
Property tax impact: Negative impact of vacant/vandalized privately owned properties on adjoining property values:	(\$3,297,210)	(\$37,589,591)	
Property tax impact: Inability to make property available for private rehabilitation:	(\$458,840)	(\$5,230,969)	
Property tax impact: Inability to develop property commercially:	(\$4,740,289)	(\$54,041,293)	
Lost building permit revenue: Inability to make available for private rehabilitation:	(\$364,500)	(\$4,155,454)	
Lost sales tax revenue: Inability to develop property as retail:	(\$14,904,040)	(\$169,912,351)	
Lost earnings/payroll tax revenue: Inability to develop commercially:	(\$1,586,559)	(\$18,087,444)	
TOTALS:	(\$68,418,937)	(\$747,512,430)	

ATTACHMENT B
DETAIL AND METHODOLOGY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION

CITY OF ST. LOUIS

PROBLEM/NUISANCE PROPERTIES:
DIRECT CITY COSTS

Most neighborhoods in the City of St. Louis have problem properties. The majority of these properties are privately owned—problems associated with the properties include criminal behavior, excessive trash and noise, collapsing walls, missing windows, open to the elements and to trespass, unsightly conditions, and a host of other issues. These properties plague responsible neighborhood residents and have serious negative impact on residential and business quality of life. While some portion of these problem properties may fall into City ownership due to property tax delinquency, the majority of them will need to be addressed in another manner, because owners continue to pay minimal property tax and retain ownership of these problem properties. The only manner in which many of these properties can be addressed is ultimately via eminent domain, which the proposed amendment eliminates as a redevelopment tool by providing that any property acquired by the City using eminent domain cannot be "sold, leased, transferred, or otherwise made available for use by a private party" for a twenty-year period after the acquisition. The following analysis assumes that the City can in fact acquire the properties and alleviate the problematic conditions and hold them for a twenty-year period, even though this will not be possible in a practical sense, and attempts to calculate the cost. If these properties cannot be addressed with eminent domain and private redevelopment, actions currently undertaken to address problem/nuisance properties will (a) need to continue for the foreseeable future; (b) will need to be multiplied to address all rather than just some of the problems; (c) the City will need to add new staff to carry out the nuisance eradication work and management of the properties. The analysis below does not calculate the additional loss of revenue the City will face as more people and business leave the City because the City is powerless to address their problem and nuisance property concerns, nor does it assume that the City will acquire the properties using eminent domain and hold them for twenty years—it assumes that the proposed amendment effectively eliminates eminent domain as a tool for dealing with problem properties, which is clearly the intent of the amendment. If eminent domain were used and the City were required to hold and operate the properties for a 20-year period, the costs would be far greater than the costs estimated below.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

Explanation: The following analysis estimates the cost of the new staff the City will need to put in place to identify problem properties and manage the eradication of the problems without the use of eminent domain and private redevelopment. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

• Current cost of problem properties task force:	\$342,000	Actual current cost
• Cost of police officer to serve warrants:	\$60,000	Actual current cost
• Cost to increase problem properties task force by 400%:	\$1,608,000	Current cost X 4
• Cost of staff to manage eradication of 750 nuisances per year (10% of 7,500 total):	\$715,000	(10 staff x \$50K ea.; 2 attorneys @ \$75K each; 1 manager @ \$65K, including
TOTAL ESTIMATED ANNUAL COST:	\$2,725,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$31,066,152

NUISANCE ERADICATION BY REPAIR:

Explanation: Occupied privately owned problem properties where owners cannot be induced to make repairs via prosecution will require nuisance eradication by City-funded repair—and it will not be practical or in many cases legal to evict the occupants in order to eradicate the nuisance. The estimated number of such nuisances is 4,000. Further, it will be necessary for the City to rehabilitate some vacant privately owned properties, either because the property is located in an historic district or because the legal risks associated with demolition are too great to risk demolition at a lower cost.

NUISANCE ERADICATION BY REPAIR:

• # occupied building nuisances abated by City:	400	10% of estimated 4,000 buildings
• # vacant nuisances abated by City:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Additional cost to abate occupied building nuisances:	\$10,000,000	Estimated \$25,000 per occupied
• Additional cost to abate vacant building nuisances:	\$17,500,000	Estimated \$100,000 per vacant building
TOTAL ESTIMATED ANNUAL COST:	\$27,500,000	
LESS: 10% cost recovered via lien foreclosure:	(\$2,750,000)	
NET ANNUAL COST:	\$24,750,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$282,160,462

NUISANCE ERADICATION BY DEMOLITION:

Explanation: The above analysis assumes that 50% of privately owned vacant nuisance buildings can and should be rehabilitated, and that the remaining 50% require demolition. Often privately owned vacant buildings problem properties fall into such disrepair that the only mechanism for addressing the problem is demolishing the structure on the property. If these properties cannot be addressed by eminent domain before such time as demolition is inevitable, the City will be forced to continue to spend City funds to demolish the properties. While some of the cost of demolition is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost.

NUISANCE ERADICATION BY DEMOLITION:

• # of privately owned vacant buildings requiring demolition:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Average cost to demolish each privately owned vacant buildings:	\$11,000	5% of estimated 3,500 non-LRA buildings per 2008
TOTAL ESTIMATED ANNUAL COST:	\$1,925,000	
LESS: 10% cost recovered via lien foreclosure:	(\$192,500)	
NET ANNUAL COST:	\$1,732,500	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:	\$21,945,814	

NUISANCE ERADICATION BY WEED CUTTING & DEBRIS REMOVAL:

Explanation: Many privately owned problem properties are vacant; other privately owned properties have improvements but are abandoned—e.g., the owner does nothing to maintain the property. In both of these situations, City funds must be spent to remove unsightly conditions from the property so that the properties cause the least amount of harm to other properties on the block. While some of the cost of is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost. No deduction is made in this category for parcels acquired via a property tax foreclosure, since once the property and the neighborhood deteriorate due to irresponsible property ownership it takes a long period of time for the property to be placed into productive use and the City must still maintain the property in the meantime to the best of the City's ability. Unlike the cost to abate nuisances, these costs cannot be spread over a number of years—maintenance must be performed annually. If liens are imposed and foreclosed upon, in most instances the private owner will not pay off the liens—thus, the property falls by default into public ownership and the City will be responsible for maintaining the property on an ongoing basis, unless and until the City can sell the property to another private owner.

NUISANCE ERADICATION BY WEEDCUTTING & DEBRIS REMOVAL:

• # of privately owned vacant lots requiring demolition:	7,000	70% of total 10,000 vacant lots
• Average cost per lot for weedcutting/debris removal:	\$2,200	8 events/year @ \$275/event
TOTAL ESTIMATED ANNUAL COST:	\$15,400,000	
LESS: 10% cost recovered via lien foreclosure:	(\$1,540,000)	
NET ANNUAL COST:	\$13,860,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation, 5% inv. reduction per year:	\$123,322,900	

LOST REVENUES

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

Explanation: Vacant and abandoned properties drive down the value of other properties located on the same block. The abandonment of a property is visible signal that its owners do not care about it to other owners on the block and to those who otherwise might be interested in purchasing property on the block. The City receives a high volume of complaints each year about vacant and vandalized privately owned properties. In 2005, according to the City's vacant building survey, the City had 3,751 privately owned residential vacant and vandalized buildings located on approximately 1,631 City blocks—the number of vacant and vandalized properties per block ranged from 1 to 16. The City must be able to take these properties out of the hands of

irresponsible owners who care nothing about the surrounding neighborhoods. If the City cannot do so, the City and other taxing jurisdictions will suffer from the negative impact of these problem properties on other properties forever, with no way to take back neighborhoods from owners that wreak havoc on our neighborhoods and responsible neighbors' lives. Assuming that each City block with one or more abandoned property reduces the value of other properties on the block by 10% (believed to be a conservative number in blocks that are plagued with more than one vacant and vandalized property), the cost to the City and other taxing jurisdictions in property taxes and the cost to adjacent owners in reduced property values are calculated below. No deduction is made in this category for parcels acquired via property tax or nuisance eradication lien foreclosure because the damage to neighboring property values has already been done by the time the City acquires the property through tax or nuisance eradication lien foreclosure. With eminent domain, the City has the ability (assuming funding is available) to acquire the property before damage to neighboring property values becomes irreversible.

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

• Total # of City blocks (approximate):	5,771	Per City Assessor's
• Total # of parcels:	103,475	Per City Assessor's
• Average parcels/City block:	17.93	Per City Assessor's
• City blocks w/vacant & vandalized buildings:	1,618	Per City Assessor's records/ vacant
• Parcels negatively impacted by vacant buildings:	29,011	
• Average assessed value of residential parcel:	\$17,500	
• Total value parcels w/vacant buildings on block:	\$507,692,709	Parcels negatively impacted x average
• Estimated negative impact on assessed values of parcels due to vacant buildings on block:	(\$50,769,271)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ESTIMATED LOST REVENUES:	\$3,297,210	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$37,589,591	

In addition, nuisances hurt adjacent property owners by negatively impacting the value of the adjacent owners' property. This hurts owners by impairing their ability to sell or borrow against the property at a higher value.

NEGATIVE IMPACT ON MARKET VALUE OF NON-VACANT PRIVATELY OWNED PROPERTIES :	\$267,206,689	Assessed value/.19 = impact on market value
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LOST REVENUES DUE TO LACK OF PROPERTY IMPROVEMENT BY PRIVATE PARTIES:

Explanation—Vacant Building Rehabilitation: In addition to the loss of property tax associated with negative impacts on surrounding non-vacant properties, the fact that owners allow vacant and vandalized properties to deteriorate also costs the City and other taxing jurisdictions in lost tax revenue. When privately owned formerly abandoned or vacant properties are redeveloped as private property, these properties add growth to the City's tax base above and beyond the growth permitted by the Hancock Amendment. In addition, it is not reasonable to expect that the City itself would rehabilitate and occupy these properties that were formerly occupied by private parties—if the City were required to rehabilitate and occupy the properties forever, it would cost the City significant amounts of money to rehabilitate the properties, as described above, and to maintain the properties in the event that private parties do not purchase them. Further, if the City rather than private parties rehabilitates and occupies the properties (as

is required by the amendment—the City cannot take the property by eminent domain and sell it to a private owner for rehabilitation), the City will lose revenue that it would otherwise collect due to fees on improvement costs. The following factors are used below to calculate the loss of tax revenues as associated with the fact that the City will be unable to encourage property improvement and tax base growth if the amendment is passed:

LOST REVENUE DUE TO LACK OF PRIVATE PROPERTY IMPROVEMENT:

• Average assessed value of privately owned vacant/vandalized building:	\$7,545	2005 value per City Assessor w/2.5%
• Average sales price--single-family home:	\$164,698	City Assessor Data--
• Average assessed value--single-family home:	\$31,293	
• Assessed value lost due to inability to make vacant buildings available for private rehabilitation:	\$23,748	
• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Total annual assessed value lost due to inability to make vacant buildings available for private rehabilitation:	(\$8,311,829)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$539,812	
LESS: 15% to City ownership via tax foreclosure:	(\$80,972)	
NET ANNUAL COST:	\$458,840	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$5,230,969	

LOST BUILDING PERMIT FEE REVENUE:

• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Approximate average rehabilitation cost:	\$100,000	
• Approximate total rehabilitation cost:	\$35,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
• # of privately owned occupied buildings that could be privately rehabilitated per year if available:	400	10% of total 4,000 buildings
• Approximate average rehabilitation cost:	\$25,000	
• Approximate total rehabilitation cost:	\$10,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$405,000	
LESS: 20% private owner compliance:	(\$40,500)	
NET ANNUAL COST:	\$364,500	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$4,155,454	

Explanation—Lost Revenue due to Lack of Vacant Land Redevelopment: Many privately owned City properties are vacant lots where the improvements have been demolished, either by the City or by the private owner. These vacant lots are scabs on otherwise intact neighborhoods. In many city neighborhoods, these vacant lots outnumber parcels with improvements. In many cases, the vacant parcels, 25' wide, are flanked by other vacant properties owned by multiple owners. The City's inability to use eminent domain to assemble these vacant lots and abandoned properties and return them to productive use will result in significant lost revenues—sales tax revenues, property tax revenues and payroll/earnings tax revenues. In addition, the development of new retail and other facilities is essential to preserving the City's existing population and encouraging new residents to locate in the City. Such development is currently occurring in the

City but will come to a halt if the amendment passes. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to encourage commercial redevelopment of a abandoned property and tax base growth if the amendment is passed:

LOST REVENUE DUE TO LACK OF VACANT LAND REDEVELOPMENT:

• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Average area of one (1) vacant lot:	4,687	125' x 37.5'
• Total vacant lot area:	47,483,997	125' x 37.5'
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	23,741,999	
• Total developable vacant lot area:	71,225,996	
• Assume 10% of vacant lot area could be redeveloped as retail:	7,122,600	
• Assumed building coverage for retail:	25%	
• Total area not developed as retail:	1,780,650	
• Average retail sales/sq. ft./year:	\$300	
• Total retail sales lost:	\$534,194,966	
• City sales tax rate:	3.10%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$16,560,044	
LESS: 15% to City ownership tax foreclosure/other:	(\$1,656,004)	
NET ANNUAL COST:	\$14,904,040	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$169,912,351	

• Average jobs/1,000 sq. ft. retail:	3	
• Total retail jobs lost:	5,342	
• Average annual salary/retail job:	\$22,000	
• Total payroll lost:	\$117,522,893	
• City earnings/payroll tax rate:	1.50%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$1,762,843	
LESS: 15% to City ownership tax foreclosure/other:	(\$176,284)	
NET ANNUAL COST:	\$1,586,559	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$18,087,444	

• Average assessed value of privately owned vacant parcel:	\$3,772	2005 value per City Assessor w/2.5%
• Average assessed value commercial non-vacant parcel:	\$57,139	2005 value per City Assessor w/2.5%
• Assessed value difference--vacant/non-vacant:	\$53,367	
• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	5,066	
• Total developable parcels:	15,197	
• Assume 10% of vacant lot area could be redeveloped as retail:	1,520	
• Total estimated assessed value increase if parcels were developed:	(\$81,099,195)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$5,266,987	
LESS: 15% to City ownership tax foreclosure/other:	(\$526,699)	
NET ANNUAL COST:	\$4,740,289	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$54,041,293	

ATTACHMENT B (CONT'D)
OTHER FISCAL IMPACTS:

Non-Physical Nuisances: The proposed amendment does not clearly define "nuisance." Non-physical nuisances (e.g., criminal activity, drugs, antisocial behavior) are difficult if not impossible to cure and cannot be cured with "eradication" activities that place a lien on the property. Often the use of eminent domain is the only way to get such a property out of the hands of problem owners and into the hands of a responsible party.

Inability to Redevelop as Higher Quality Residential Property: Much of the City's housing stock is obsolete and unattractive to the modern housing market. Eradicating nuisances per se does not allow the City to redevelop obsolete residential property into homes that will attract modern residents. Thus, the inability to redevelop obsolete and deteriorated residential property as higher quality residential property also has a cost. This cost can be estimated but we have not taken the time to do so here.

Inability to Adequately Address Blighted Areas and Impact on Other Property: The City has been in a continuing state of decline for the past five decades. Only recently has this decline been arrested. Now the City's problems are slowly but surely being turned into opportunities, in large part because people believe that the City is making progress and will continue to do so. This progress has been possible due in large part to the availability of eminent domain for private redevelopment. If the proposed amendment becomes effective, this progress will come to a halt, and this in turn will (a) discourage "new" investors and homeowners from giving the City a chance, and (b) discourage those who have already invested in the City from remaining. The City has many problems, and those problems are being addressed, but total transformation cannot and will not happen overnight. It is essential that the City be able to continue to make progress if the successes recently experienced are to be sustained. If eminent domain is not available as a redevelopment tool in conjunction with private redevelopment, businesses and residents will once again leave the City and the same kinds of decline, disinvestment and population loss that the City previously suffered will continue into the foreseeable future.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their college.

Officials from **Metropolitan Community College** indicated this petition would have no significant fiscal impact on their college.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, **Cole County**, **Greene County**, **Jackson County Legislators**, the **City of Columbia**, the **City of Kansas City**, the **City of Gladstone**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, and **St. Louis Community College**.

Fiscal Note Summary

The total cost or savings to state or local governmental entities is unknown. Most state governmental entities estimate no costs, however, one state governmental entity reported potential unknown costs. Estimated costs, if any, to local governmental entities could be significant.

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-13)**

Subject

Initiative petition from Ron Calzone regarding a proposed constitutional amendment to Article VI, Section 21 and Article I, Section 26, 27, and 28.
(Received November 10, 2010)

Date

November 30, 2010

Description

This proposal would amend Article VI, Section 21 and Article I, Section 26, 27, and 28 of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, the **State Tax Commission**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Gladstone**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Mark M. Levin, **City Administrator**, **City of Maryland Heights** provided information to the State Auditor's office.

Tim Fischesser, Executive Director, St. Louis County Municipal League provided information to the State Auditor's office.

Andrew Clements, Assistant Director of Public Works and Transportation, City of St. Joseph provided information to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated they assume that the implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated the proposed amendment would not have any fiscal impact on their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated they defer their response to the Office of Administration, Division of Facilities Management, Design and Construction who is responsible for managing state-owned and leased property utilized by their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Corrections** indicated this initiative petition will have no impact for their department.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated they assume that this petition will result in no fiscal impact to their department.

Officials from the **Department of Social Services** indicated that since their department does not exercise the power of eminent domain, there is no fiscal impact to their department.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact to their office. They also indicated there should be no impact on general or total state revenues.

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated that with regard to this initiative petition, there will be no direct fiscal impact to their office. Please defer to the Office of Administration Budget and Planning and the Department of Revenue.

Officials from the **State Tax Commission** indicated this initiative petition will not have a fiscal impact to their agency.

Officials from **St. Louis County** indicated the county is opposed to the changes proposed in Article I, Sections 26-28 and in Article VI, Section 21. They estimated the costs of the proposed changes to the county at \$26,920,000 based on the following computations and comments:

Section 26 - Must be declared for public good or owners consent.
Cost \$400,000:

4 parcels @ \$50,000 each for two years because St. Louis County will not be able to condemn some properties. Properties might not be considered necessary to the project due to a very liberal definition of "necessary" but because of topography, property lines, and minimal AASHTO Standards, must be encroached on by the project construction.

Section 26 - Use of other than industry standard appraisal information:
For a typical year, St. Louis County estimates the cost to be \$6 million because nontraditional methods may be applied.
20 parcels @\$150,000 average for two years.

Section 26 - Property cannot be used until final determination by court.
Cost = \$20 million. Delay to projects will cause increase in construction costs. 10 projects @ \$1,000,000 each increase per year for two years.

Section 28, paragraph 2: Property can be sold to owner if project inactive for five years. Cost = \$520,000. St. Louis County estimates 2,000 hours of employee time @ \$30/hour to duplicate efforts and property research costs to repurchase properties for the project. This projection includes additional time to sell parcel back to original property owner. This includes an estimated \$200,000 in property value increase: 100 properties @\$2,000 each for two years.

The proposed change to Section 26 states, "The value of the property may be determined by, but is not limited to, appraisal methods typical to the ordinary course of business, and any evidence which would be considered by an appraiser in the ordinary course of business shall be relevant and admissible". That sentence relating to how to value property taken in condemnation seems to be an attempt to define what is relevant evidence. Broadening the evidence to include matters that appraisers don't usually consider does not help either party in such a proceeding. The phrase "but is not limited to" could be so loosely interpreted as to include opinions of value founded upon speculation and unsupported claims.

Also in Section 26, the sentence that prohibits the disturbance of property "until a final legal determination of the legitimacy of the taking is established..." could result in substantially increased construction costs, especially relating to highway projects. For example, in a highway project that consists of multiple parcels, no construction contract could be let until all legal challenges are finally disposed. In order for a challenge to be finally disposed of, all appeals and requests for transfers and rehearings (including any remands to the trial level) must be complete. This process may take years, and in certain cases, the appellate process may jeopardize the status of parcels for which there were no legal challenges, because of the passage of time referenced in Section 28, paragraph 2.

In the changes proposed in Section 28, the five-year requirement of "substantial accomplishment of the declared purpose" would prove problematic in long-term road expansions and improvements, such as St. Louis County's Baxter Road project.

Officials from the **City of Kansas City** indicated no increase in revenues will be experienced by this amendment and no savings will be experienced by this amendment. City officials provided the following comments regarding potential costs and losses resulting from passage of the initiative petition.

If the City of Kansas City were unable to condemn blighted property for economic development the costs could be split into two categories: First, there would be added costs to assemble land for redevelopment, as the purchaser would be held hostage, potentially, by landowners within the project boundaries. When land is acquired by eminent domain, by law the commissioners or jury must determine what the "fair market value" of the land is, and that is what the condemnor pays. Without condemnation, the landowner could simply demand exorbitant sums, which either kills the project or provides a windfall to one person at the expense of the taxpayers. That part of the equation alone, the increase in acquisition costs, would cost the city millions of dollars per year.

Second, the city has to deal with the blight still, if it is not able to condemn for economic development. And since large parts of Kansas City are blighted, removing the blight requires large scale demolition and nuisance abatement. Once you abate the nuisance, the result is a vacant lot that is attractive for dumping and has to be mowed or otherwise cared for at great expense, but that remains in the hands of the various owners who almost never take of those things. Typically, these properties end up in a land trust pursuant to the Land Tax Collection Act, because the taxes are not paid and the assessment for the nuisance abatement is larger than the value of the land. So what is the cost of the city if large tracts of land end up in this cycle? Has to be millions a gain in abatement expenses, lost tax revenue and the effect this kind of blight has on the adjoining land.

The city will incur losses pursuant to this amendment, though those losses are hard to quantify at this time. This amendment would make it impossible for a city in Missouri to condemn land for purely economic purposes, whether the land in question was blighted or not. If that were the case, typical "Downtown" type large-scale development would cease. The city has projects already underway on which it has or will have assembled land and will need to condemn part of the assembly. The losses would be of several types; first if it cannot complete the assembly at all it will have to descope, rescope or cancel the project. The professional (architect, designer, surveyor, appraisal) fees incurred would be lost. Also lost would be the acquisition costs of land assembled but the city no longer had a use for, in the case of a cancelled project. Second, the economic impact of not being able to do any more of these projects would have a huge financial impact on the city. It is again hard to quantify but the difference between having a

revived downtown or other area or not having the redevelopment would be many millions of dollars.

The proposed amendment would be a disaster for cities in Missouri for the reasons noted above. It is not just the money lost from the lack of development that leads cities to resist initiatives like this. In cities that have already been decimated by flight to the suburbs and a lack of decent public schools, blight has an insidious way of spreading out at the edges. And there is no way to clear blight one property at a time, you need wholesale blight clearance to make the economics work. And the only way to do that is with massive urban redevelopment.

Officials from the **City of St. Louis** indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the city. In addition, the following related information was provided by the city.

The initiative petition proposes changes to Article I, Sections 26, 27, and 28 that would prohibit the use of eminent domain for redevelopment by providing that: (a) only public entities can acquire property using eminent domain; (b) no private ownership or other private rights shall be considered a public use; (c) the future use must be declared at the time of acquisition and cannot be changed; and (d) the public entity that acquired the property via eminent domain cannot transfer such property to private ownership any sooner than twenty (20) years following the acquisition unless the original owner has been offered the right to buy back the property at the original price or unless the private owner is providing products or services incidental to the function of a publicly owned facility. Section 5 of the proposed amendment to Article I, Section 28, also appears to change Article VI, Section 21, by effectively stripping out the ability of local governments to use eminent domain for redevelopment that involves private entities through a provision that states that the proposed revisions to Article I, Sections 26, 27, and 28 limit the application of Article VI, Section 21. These proposed changes will result in both extreme costs and extreme loss of revenue to the city. The city uses eminent domain sparingly. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

In 1950, the city had 850,000 people—today, they have just over 350,000. As a result of this population loss, there are now thousands of vacant lots and structures in the City of St. Louis. As a result of this population loss, many former residences and businesses have now become vacant buildings and vacant lots. Many of these vacant properties have fallen into city ownership by default—when the private owner did not pay property tax due, the property was placed in a tax foreclosure sale, and if a private party did not bid on the property its ownership was transferred to the Land Reutilization Authority. Redeveloping this decay would be easy if all of the properties were side by side—and if all of our vacant buildings and lots were owned by the city. In fact, they are not. The city-owned

properties are scattered among many properties in the hands of private owners. Too many of these privately held properties are also blighted, making it very difficult—and in some cases nearly impossible—to redevelop these run-down areas. The vast majority of our privately owned vacant buildings and lots are not maintained by their private owners.

The result is that some of the City of St. Louis' neighborhoods are the best in the State of Missouri. But, others are plagued by poverty, poor infrastructure, and violence.

The City of St. Louis has made great progress in turning some of these neighborhoods around. But, it would not have happened without the possible use of eminent domain. Other neighborhoods waiting to be redeveloped will remain blighted if developers do not know at the beginning of a project that they will be able to complete it.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind when half a million people left the City of St. Louis. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not be possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses a gain leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild

the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. Developments like CORTEX, the new Pinnacle entertainment development, and Botanical Heights would no longer be possible—and it may not even be possible to complete those major developments that are already underway. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the city cannot address the distress that currently exists in the city using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. They cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct their tax base without partnerships with private enterprise. The proposed amendment would prohibit partnerships with private enterprise in redevelopment.

If the city is forced to address its distressed areas by using city funds and twenty-year city ownership to cure the distress, before having the ability to acquire and sell the property to responsible owners, the result will be a significant additional cost to the City of St. Louis, as detailed on the attachments below. Further, since the city cannot possibly afford this cost, estimated at over \$40 million per year, the vast majority of these distressed areas will remain distressed. The proposed amendment would render the city powerless to arrest the decline that has occurred over the past five decades, and set the stage for greater decline in the future as the proposed amendment rewards speculators, slumlords and predatory land owners for their irresponsible behavior by eliminating one of the few effective tools for addressing the problems they cause.

Over the years, the city has also come to own many properties in distressed areas due to property tax and other lien foreclosures—this is but one symptom of areawide distress. Many of the distressed properties in the city remain in private ownership, even though they are for all practical purposes abandoned, because their owners pay minimal property taxes and weed and trash removal liens. Approximately 3,700 vacant buildings and 10,000 vacant lots remain in private ownership. This private ownership of abandoned property causes problems for both neighboring residents and businesses and the city and impairs the city's ability to heal itself after five decades of decay.

In addition, redevelopment of both publicly owned and privately owned vacant properties is seldom feasible without the ability to combine those parcels with other blighted property for redevelopment, since most of the city was originally platted in 25-foot frontage increments. Today, a 25-foot lot is virtually useless for

any purpose, residential or commercial. The proposed amendment would render the city unable to engage in redevelopment of these properties unless the city used public funds to do so. As detailed on the attachments below, they estimate that this inability to engage in redevelopment would cost the city more than \$40 million annually in lost future revenues, in addition to the \$40 million in additional city costs the city would incur in direct city funding of redevelopment activities directed towards alleviation of nuisance and problem properties.

The analysis in Attachment B provides detail on the types of costs the city would incur and the types of revenue losses the city would suffer if the amendment were to become law. Given the complexity of the issue and the amount of time available to provide this fiscal note, these figures are necessarily estimates. They believe, however, that the methodology described in Attachment B provides a reasonably accurate assessment of the fiscal impact to the City of St. Louis related to the impacts analyzed. In addition, in the interest of time, the attached assessment does not include each and every fiscal impact on the city—there are others which could be detailed if more time were available. The attached chart (Attachment A) summarizes the results of the methodologies applied in Attachment B and the estimated fiscal impact of the constitutional amendment.

As noted on the chart in Attachment A, they estimate that the total negative fiscal impact of the proposed Constitutional Amendment on the City of St. Louis is nearly (\$70 million) annually, and nearly (\$750 million) over a ten-year period. In addition, the amendment would produce a related negative fiscal impact on responsible private property owners whose property values suffer because of blight, absentee landlords, and predatory land owners.

ATTACHMENT A
SUMMARY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION
(Estimate Details Provided on Exhibit B)

CITY OF ST. LOUIS

COST OR LOST REVENUE ITEM:	ANNUAL COST/ REVENUE LOSS:	10-YEAR COST/ REVENUE LOSS-- 2.5% ANNUAL INFLATION:	NOTES:
ESTIMATED CITY NEW/CONTINUING COSTS:			
Nuisance Identification/Abatement Management:	(\$2,725,000)	(\$31,066,152)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,750,000)	(\$282,160,462)	
--Demolition:	(\$1,732,500)	(\$21,945,814)	
--Weed Cutting/Debris Removal:	(\$13,860,000)	(\$123,322,900)	10-year cost reduced by vacant lots assumed to be redeveloped
ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:			
Property tax impact: Negative impact of vacant/vandalized privately owned properties on adjoining property values:	(\$3,297,210)	(\$37,589,591)	
Property tax impact: Inability to make property available for private rehabilitation:	(\$458,840)	(\$5,230,969)	
Property tax impact: Inability to develop property commercially:	(\$4,740,289)	(\$54,041,293)	
Lost building permit revenue: Inability to make available for private rehabilitation:	(\$364,500)	(\$4,155,454)	
Lost sales tax revenue: Inability to develop property as retail:	(\$14,904,040)	(\$169,912,351)	
Lost earnings/payroll tax revenue: Inability to develop commercially:	(\$1,586,559)	(\$18,087,444)	
TOTALS:	(\$68,418,937)	(\$747,512,430)	

ATTACHMENT B
DETAIL AND METHODOLOGY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION

CITY OF ST. LOUIS

PROBLEM/NUISANCE PROPERTIES:
DIRECT CITY COSTS

Most neighborhoods in the City of St. Louis have problem properties. The majority of these properties are privately owned—problems associated with the properties include criminal behavior, excessive trash and noise, collapsing walls, missing windows, open to the elements and to trespass, unsightly conditions, and a host of other issues. These properties plague responsible neighborhood residents and have serious negative impact on residential and business quality of life. While some portion of these problem properties may fall into City ownership due to property tax delinquency, the majority of them will need to be addressed in another manner, because owners continue to pay minimal property tax and retain ownership of these problem properties. The only manner in which many of these properties can be addressed is ultimately via eminent domain, which the proposed amendment eliminates as a redevelopment tool by providing that any property acquired by the City using eminent domain cannot be "sold, leased, transferred, or otherwise made available for use by a private party" for a twenty-year period after the acquisition. The following analysis assumes that the City can in fact acquire the properties and alleviate the problematic conditions and hold them for a twenty-year period, even though this will not be possible in a practical sense, and attempts to calculate the cost. If these properties cannot be addressed with eminent domain and private redevelopment, actions currently undertaken to address problem/nuisance properties will (a) need to continue for the foreseeable future; (b) will need to be multiplied to address all rather than just some of the problems; (c) the City will need to add new staff to carry out the nuisance eradication work and management of the properties. The analysis below does not calculate the additional loss of revenue the City will face as more people and business leave the City because the City is powerless to address their problem and nuisance property concerns, nor does it assume that the City will acquire the properties using eminent domain and hold them for twenty years—it assumes that the proposed amendment effectively eliminates eminent domain as a tool for dealing with problem properties, which is clearly the intent of the amendment. If eminent domain were used and the City were required to hold and operate the properties for a 20-year period, the costs would be far greater than the costs estimated below.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

Explanation: The following analysis estimates the cost of the new staff the City will need to put in place to identify problem properties and manage the eradication of the problems without the use of eminent domain and private redevelopment. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

• Current cost of problem properties task force:	\$342,000	Actual current cost
• Cost of police officer to serve warrants:	\$60,000	Actual current cost
• Cost to increase problem properties task force by 400%:	\$1,608,000	Current cost X 4
• Cost of staff to manage eradication of 750 nuisances per year (10% of 7,500 total):	\$715,000	(10 staff x \$50K ea.; 2 attorneys @ \$75K each; 1 manager @ \$65K, including
TOTAL ESTIMATED ANNUAL COST:	\$2,725,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$31,066,152

NUISANCE ERADICATION BY REPAIR:

Explanation: Occupied privately owned problem properties where owners cannot be induced to make repairs via prosecution will require nuisance eradication by City-funded repair—and it will not be practical or in many cases legal to evict the occupants in order to eradicate the nuisance. The estimated number of such nuisances is 4,000. Further, it will be necessary for the City to rehabilitate some vacant privately owned properties, either because the property is located in an historic district or because the legal risks associated with demolition are too great to risk demolition at a lower cost.

NUISANCE ERADICATION BY REPAIR:

• # occupied building nuisances abated by City:	400	10% of estimated 4,000 buildings
• # vacant nuisances abated by City:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Additional cost to abate occupied building nuisances:	\$10,000,000	Estimated \$25,000 per occupied
• Additional cost to abate vacant building nuisances:	\$17,500,000	Estimated \$100,000 per vacant building
TOTAL ESTIMATED ANNUAL COST:	\$27,500,000	
LESS: 10% cost recovered via lien foreclosure:	(\$2,750,000)	
NET ANNUAL COST:	\$24,750,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$282,160,462

NUISANCE ERADICATION BY DEMOLITION:

Explanation: The above analysis assumes that 50% of privately owned vacant nuisance buildings can and should be rehabilitated, and that the remaining 50% require demolition. Often privately owned vacant buildings problem properties fall into such disrepair that the only mechanism for addressing the problem is demolishing the structure on the property. If these properties cannot be addressed by eminent domain before such time as demolition is inevitable, the City will be forced to continue to spend City funds to demolish the properties. While some of the cost of demolition is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost.

NUISANCE ERADICATION BY DEMOLITION:

• # of privately owned vacant buildings requiring demolition:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Average cost to demolish each privately owned vacant buildings:	\$11,000	5% of estimated 3,500 non-LRA buildings per 2008
TOTAL ESTIMATED ANNUAL COST:	\$1,925,000	
LESS: 10% cost recovered via lien foreclosure:	(\$192,500)	
NET ANNUAL COST:	\$1,732,500	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:	\$21,945,814	

NUISANCE ERADICATION BY WEED CUTTING & DEBRIS REMOVAL:

Explanation: Many privately owned problem properties are vacant; other privately owned properties have improvements but are abandoned—e.g., the owner does nothing to maintain the property. In both of these situations, City funds must be spent to remove unsightly conditions from the property so that the properties cause the least amount of harm to other properties on the block. While some of the cost of is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost. No deduction is made in this category for parcels acquired via property tax foreclosure, since once the property and the neighborhood deteriorate due to irresponsible property ownership it takes a long period of time for the property to be placed into productive use and the City must still maintain the property in the meantime to the best of the City's ability. Unlike the cost to abate nuisances, these costs cannot be spread over a number of years—maintenance must be performed annually. If liens are imposed and foreclosed upon, in most instances the private owner will not pay off the liens—thus, the property falls by default into public ownership and the City will be responsible for maintaining the property on an ongoing basis, unless and until the City can sell the property to another private owner.

NUISANCE ERADICATION BY WEEDCUTTING & DEBRIS REMOVAL:

• # of privately owned vacant lots requiring demolition:	7,000	70% of total 10,000 vacant lots
• Average cost per lot for weedcutting/debris removal:	\$2,200	8 events/year @ \$275/event
TOTAL ESTIMATED ANNUAL COST:	\$15,400,000	
LESS: 10% cost recovered via lien foreclosure:	(\$1,540,000)	
NET ANNUAL COST:	\$13,860,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation, 5% inv. reduction per year:	\$123,322,900	

LOST REVENUES

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

Explanation: Vacant and abandoned properties drive down the value of other properties located on the same block. The abandonment of a property is visible signal that its owners do not care about it to other owners on the block and to those who otherwise might be interested in purchasing property on the block. The City receives a high volume of complaints each year about vacant and vandalized privately owned properties. In 2005, according to the City's vacant building survey, the City had 3,751 privately owned residential vacant and vandalized buildings located on approximately 1,631 City blocks—the number of vacant and vandalized properties per block ranged from 1 to 16. The City must be able to take these properties out of the hands of

irresponsible owners who care nothing about the surrounding neighborhoods. If the City cannot do so, the City and other taxing jurisdictions will suffer from the negative impact of these problem properties on other properties forever, with no way to take back neighborhoods from owners that wreak havoc on our neighborhoods and responsible neighbors' lives. Assuming that each City block with one or more abandoned property reduces the value of other properties on the block by 10% (believed to be a conservative number in blocks that are plagued with more than one vacant and vandalized property), the cost to the City and other taxing jurisdictions in property taxes and the cost to adjacent owners in reduced property values are calculated below. No deduction is made in this category for parcels acquired via property tax or nuisance eradication lien foreclosure because the damage to neighboring property values has already been done by the time the City acquires the property through tax or nuisance eradication lien foreclosure. With eminent domain, the City has the ability (assuming funding is available) to acquire the property before damage to neighboring property values becomes irreversible.

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

• Total # of City blocks (approximate):	5,771	Per City Assessor's
• Total # of parcels:	103,475	Per City Assessor's
• Average parcels/City block:	17.93	Per City Assessor's
• City blocks w/vacant & vandalized buildings:	1,618	Per City Assessor's records/ vacant
• Parcels negatively impacted by vacant buildings:	29,011	
• Average assessed value of residential parcel:	\$17,500	
• Total value parcels w/vacant buildings on block:	\$507,692,709	Parcels negatively impacted x average
• Estimated negative impact on assessed values of parcels due to vacant buildings on block:	(\$50,769,271)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ESTIMATED LOST REVENUES:	\$3,297,210	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$37,589,591	

In addition, nuisances hurt adjacent property owners by negatively impacting the value of the adjacent owners' property. This hurts owners by impairing their ability to sell or borrow against the property at a higher value.

NEGATIVE IMPACT ON MARKET VALUE OF NON-VACANT PRIVATELY OWNED PROPERTIES :	\$267,206,689	Assessed value/.19 = impact on market value
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LOST REVENUES DUE TO LACK OF PROPERTY IMPROVEMENT BY PRIVATE PARTIES:

Explanation—Vacant Building Rehabilitation: In addition to the loss of property tax associated with negative impacts on surrounding non-vacant properties, the fact that owners allow vacant and vandalized properties to deteriorate also costs the City and other taxing jurisdictions in lost tax revenue. When privately owned formerly abandoned or vacant properties are redeveloped as private property, these properties add growth to the City's tax base above and beyond the growth permitted by the Hancock Amendment. In addition, it is not reasonable to expect that the City itself would rehabilitate and occupy these properties that were formerly occupied by private parties—if the City were required to rehabilitate and occupy the properties forever, it would cost the City significant amounts of money to rehabilitate the properties, as described above, and to maintain the properties in the event that private parties do not purchase them. Further, if the City rather than private parties rehabilitates and occupies the properties (as

is required by the amendment—the City cannot take the property by eminent domain and sell it to a private owner for rehabilitation), the City will lose revenue that it would otherwise collect due to fees on improvement costs. The following factors are used below to calculate the loss of tax revenues as associated with the fact that the City will be unable to encourage property improvement and tax base growth if the amendment is passed:

LOST REVENUE DUE TO LACK OF PRIVATE PROPERTY IMPROVEMENT:

• Average assessed value of privately owned vacant/vandalized building:	\$7,545	2005 value per City Assessor w/2.5%
• Average sales price--single-family home:	\$164,698	City Assessor Data--
• Average assessed value--single-family home:	\$31,293	
• Assessed value lost due to inability to make vacant buildings available for private rehabilitation:	\$23,748	
• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Total annual assessed value lost due to inability to make vacant buildings available for private rehabilitation:	(\$8,311,829)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$539,812	
LESS: 15% to City ownership via tax foreclosure:	(\$80,972)	
NET ANNUAL COST:	\$458,840	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$5,230,969	

LOST BUILDING PERMIT FEE REVENUE:

• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Approximate average rehabilitation cost:	\$100,000	
• Approximate total rehabilitation cost:	\$35,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
• # of privately owned occupied buildings that could be privately rehabilitated per year if available:	400	10% of total 4,000 buildings
• Approximate average rehabilitation cost:	\$25,000	
• Approximate total rehabilitation cost:	\$10,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$405,000	
LESS: 20% private owner compliance:	(\$40,500)	
NET ANNUAL COST:	\$364,500	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$4,155,454	

Explanation—Lost Revenue due to Lack of Vacant Land Redevelopment: Many privately owned City properties are vacant lots where the improvements have been demolished, either by the City or by the private owner. These vacant lots are scabs on otherwise intact neighborhoods. In many city neighborhoods, these vacant lots outnumber parcels with improvements. In many cases, the vacant parcels, 25' wide, are flanked by other vacant properties owned by multiple owners. The City's inability to use eminent domain to assemble these vacant lots and abandoned properties and return them to productive use will result in significant lost revenues—sales tax revenues, property tax revenues and payroll/earnings tax revenues. In addition, the development of new retail and other facilities is essential to preserving the City's existing population and encouraging new residents to locate in the City. Such development is currently occurring in the

City but will come to a halt if the amendment passes. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to encourage commercial redevelopment of a abandoned property and tax base growth if the amendment is passed:

LOST REVENUE DUE TO LACK OF VACANT LAND REDEVELOPMENT:

• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Average area of one (1) vacant lot:	4,687	125' x 37.5'
• Total vacant lot area:	47,483,997	125' x 37.5'
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	23,741,999	
• Total developable vacant lot area:	71,225,996	
• Assume 10% of vacant lot area could be redeveloped as retail:	7,122,600	
• Assumed building coverage for retail:	25%	
• Total area not developed as retail:	1,780,650	
• Average retail sales/sq. ft./year:	\$300	
• Total retail sales lost:	\$534,194,966	
• City sales tax rate:	3.10%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$16,560,044	
LESS: 15% to City ownership tax foreclosure/other:	(\$1,656,004)	
NET ANNUAL COST:	\$14,904,040	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$169,912,351	

• Average jobs/1,000 sq. ft. retail:	3	
• Total retail jobs lost:	5,342	
• Average annual salary/retail job:	\$22,000	
• Total payroll lost:	\$117,522,893	
• City earnings/payroll tax rate:	1.50%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$1,762,843	
LESS: 15% to City ownership tax foreclosure/other:	(\$176,284)	
NET ANNUAL COST:	\$1,586,559	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$18,087,444	

• Average assessed value of privately owned vacant parcel:	\$3,772	2005 value per City Assessor w/2.5%
• Average assessed value commercial non-vacant parcel:	\$57,139	2005 value per City Assessor w/2.5%
• Assessed value difference--vacant/non-vacant:	\$53,367	
• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	5,066	
• Total developable parcels:	15,197	
• Assume 10% of vacant lot area could be redeveloped as retail:	1,520	
• Total estimated assessed value increase if parcels were developed:	(\$81,099,195)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$5,266,987	
LESS: 15% to City ownership tax foreclosure/other:	(\$526,699)	
NET ANNUAL COST:	\$4,740,289	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$54,041,293	

ATTACHMENT B (CONT'D)
OTHER FISCAL IMPACTS:

Non-Physical Nuisances: The proposed amendment does not clearly define "nuisance." Non-physical nuisances (e.g., criminal activity, drugs, antisocial behavior) are difficult if not impossible to cure and cannot be cured with "eradication" activities that place a lien on the property. Often the use of eminent domain is the only way to get such a property out of the hands of problem owners and into the hands of a responsible party.

Inability to Redevelop as Higher Quality Residential Property: Much of the city's housing stock is obsolete and unattractive to the modern housing market. Eradicating nuisances per se does not allow the city to redevelop obsolete residential property into homes that will attract modern residents. Thus, the inability to redevelop obsolete and deteriorated residential property as higher quality residential property also has a cost. This cost can be estimated but we have not taken the time to do so here.

Inability to Adequately Address Blighted Areas and Impact on Other Property: The city has been in a continuing state of decline for the past five decades. Only recently has this decline been arrested. Now the city's problems are slowly but surely being turned into opportunities, in large part because people believe that the city is making progress and will continue to do so. This progress has been possible due in large part to the availability of eminent domain for private redevelopment. If the proposed amendment becomes effective, this progress will come to a halt, and this in turn will (a) discourage "new" investors and homeowners from giving the city a chance, and (b) discourage those who have already invested in the city from remaining. The city has many problems, and those problems are being addressed, but total transformation cannot and will not happen overnight. It is essential that the city be able to continue to make progress if the successes recently experienced are to be sustained. If eminent domain is not available as a redevelopment tool in conjunction with private redevelopment, businesses and residents will once again leave the city and the same kinds of decline, disinvestment and population loss that the city previously suffered will continue into the foreseeable future.

Officials from the **City of Gladstone** indicated the proposed changes to the Missouri Constitution as identified in initiative petitions 10-13 and 10-14 would result in significant increases in cost and significant amounts of lost revenue to the City of Gladstone. They provided the following estimated costs and comments.

City officials said it is difficult to quantify the cost and loss to the city if the Missouri Constitution is amended as proposed in either initiative petition 10-13 or 10-14. However, the City of Gladstone has initiated considerable neighborhood improvements projects that have become very effective at rebuilding blighted neighborhoods. Costs have exceeded \$100,000 for abatement and maintenance issues. The city currently has initiated a multi million dollar improvement to a blighted shopping center. Without the rights to work through eminent domain, this blight improvement could never have been leveraged with the private owner.

City officials said they use eminent domain sparingly. But it is a very important tool that is vital in efforts to overcome blight. Eminent domain is needed to eradicate vacant, abandoned, dangerous and problem properties. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire all vacant, abandoned, dangerous, and problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. The city does not wish to be a landlord for such properties for twenty (20) years. According to the proposed amendments, the city could not even enlist the assistance of private enterprise in the operation of the properties or to realize any income of the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, transferred, leased or otherwise made available for use by a private entity within 20 years of such taking, unless the original owner...been afforded the first opportunity to purchase such property back at a price no greater than was paid at the time of taking..." Private redevelopment and ownership allows the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city.

The amendment would also make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas. The city cannot address the distress that currently exists in the city using public funds alone.

Unfortunately, there are situations in which vacant and abandoned properties, owned by absentee landlords, drive down the values of surrounding properties. The city must be able to take these properties out of the hands of irresponsible owners who care nothing about the property. The city does have nuisance abatement procedures in place; however, if the property owner even pays the minimum property tax, the city's recourse for improving the property is limited.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no significant fiscal impact on their college.

Mark M. Levin, City Administrator, City of Maryland Heights provided information in opposition to this proposal. Below is a summary of the information city officials provided.

City officials said the proposed amendment would substantially increase the costs of needed public infrastructure improvements. The rules of evidence limiting the admissibility of evidence in the determination of property values by the court will be set

aside by authorizing the admittance of any evidence that may be construed to be relevant. Based upon repeated experience in cases involving the acquisition of rights-of-way, this provision will substantially increase the cost of property acquisition.

During the last three years, the City of Maryland Heights undertook 10 public improvements projects requiring the acquisition of real property. The cost of land for these projects ranged from \$2500 to \$522,000; the total cost of land was \$1,322,636, an average of \$440,878 per year. The City Council has recently approved a 5-year \$40,000,000 Capital Improvement program that contains 24 projects similar to those completed in previous years. A very conservative estimate projects that the passage of this amendment would increase property acquisition costs for the City of Maryland Heights by 20%, or \$88,000 per year.

Tim Fischesser, Executive Director, St. Louis County Municipal League provided information in opposition to this proposal. Below is a summary of the information the agency provided.

St. Louis County Municipal League officials said they are opposed to the proposed changes as it would likely stymie local redevelopment efforts that are needed due to a stagnant economy and foreclosure on many homes in their county.

While the level of blight and property abandonment is not as acute in St. Louis County as in the City, there are areas in the County that have seen significant disinvestment. Many municipalities, particularly those in North St. Louis County have seen substantial population losses since the 1970's. The increase in the number of home foreclosures in recent years has exacerbated this problem.

St. Louis County and its municipalities face the same issues as the City of St. Louis in identifying and abating nuisances caused by vacant properties and with revenue loss from these abandoned areas. Some areas of the city have been experiencing disinvestment for over 50 years, leading to an estimated 3700 vacant buildings and 10,000 vacant lots. While the numbers of vacancies in the county has not reached the epic proportions seen in the city, there are still a large number in some poorer communities and it continues to grow as a result of the national economic downturn.

County officials said their estimate of costs and revenue losses was based on 38 % of the estimate of costs and revenue losses computed by St. Louis City. They said this percent was arrived at by dividing St. Louis County's poverty rate in 2008 (9%) to that of the City (24%). The officials said the poverty rate is a good index to base demand for the use of eminent domain for economic development and revitalization. The officials said these amounts are not one time costs, but would be incurred annually if the amendment were to be approved by voters.

<u>Estimated New/Continuing Costs</u>	<u>City</u>	<u>County</u>
Nuisance Identification/Abatement Management	(\$2,725,000)	(\$1,035,500)
Nuisance Eradication by:		
City Funded Repair	(\$24,750,000)	(\$9,405,000)

Demolition	(\$1,732,000)	(\$658,160)
Weed Cutting/Debris Removal	(\$13,860,000)	(\$5,266,800)
<u>Estimated New/Continuing Revenue Losses</u>	<u>City</u>	<u>County</u>
Property tax impact: Negative impact of vacant/ vandalized privately owned properties on adjoining property values	(\$3,927,210)	(\$1,492,340)
Property tax impact: Inability to make property available for private rehabilitation	(\$458,840)	(\$174,359)
Property tax impact: inability to develop property commercially	(\$4,740,289)	(\$1,801,310)
Lost building permit revenue: Inability to Make available for private rehabilitation	(\$364,500)	(\$138,510)
Lost sales tax revenue: Inability to develop property as retail	(\$14,904,040)	(\$5,663,535)
Lost earnings tax revenue: Inability to develop commercially earnings tax	(\$1,586,559)	NA, no County
TOTALS	(\$68,418,937)	(\$25,635,514)

Andrew Clements, Assistant Director of Public Works and Transportation, City of St. Joseph provided information in opposition to this proposal. City officials estimated the costs of the proposed changes to the city at \$37,375,000 based on the following computations and comments.

City officials indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the city. They said the city uses eminent domain sparingly. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

Much like St. Louis, St. Joseph boasted a population of 100,000 in 1900, which has fallen to 73,000 since. As a result of this population loss, there are now hundreds of vacant lots and structures in the City of St. Joseph.

Redeveloping this decay would be easy if all of the properties adjacent to each other, but old-style building lots (many times 40' x 100' wide) will not accommodate modern development. To re-develop, multiple lots need to be combined in a practical density to attract both developers and builders to invest and for potential residents to purchase and live in. But lacking concentrations of contiguous lots, re-development is difficult to achieve. The vast majority of privately owned vacant buildings and lots are not maintained by their private owners. Many of these structures suffer from the blight in the larger neighborhood and block reasonable re-development. Blight, and its effects on neighboring properties, property taxes, and public service delivery spread ever wider if not addressed.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind 25% of St. Joseph's population left.

Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses gain leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. While few cities enjoy the prospect of utilizing this power as a re-development tool, it is nevertheless a tool that is effective both in its actual use and its possible to motivate all of the players involved in re-development to make the decisions necessary to rescue neighborhoods and commercial areas one at a time. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the city cannot address the distress that currently exists in the city using public funds alone.

City officials said because of the limited time allowed to review this issue and its far-reaching impacts, sufficient time to analyze the fiscal impact has not been provided. However, over a ten year period they estimated an impact of approximately \$7,500,000.

The officials further added that changes to the constitution regarding public purpose, property retention, and deadlines for use, would have dramatic and far-reaching impacts on any government undertaking typical public projects in a typical year.

In St. Joseph, city government seeks to be as efficient and prudent with public funds as possible. An effective tool to hedge against future costs for projects that do not have complete funding available is to pursue corridor preservation projects. Examples of this would be to acquire property necessary to build a new road in the future of easements for a new sewer, flood control, or utility project. Taxpayers realize a benefit from purchasing property today at current valuations and also hedge off future costs by purchasing property before it develops. Already developed property costs more and has more negatives attached to it (possible purchase and demolition of homes and businesses) that could easily be avoided if the government owned necessary property before development.

It is not uncommon for corridor preservation projects to precede actual utilization by 10-20 years. However, if section 28.2 were enacted, all property would return after five years. This would effectively eliminate the ability of government to reduce the future costs of future public improvements. It will make easily avoided conflicts more expensive and more difficult, with property owners and taxpayers suffering needlessly. In St. Joseph, this provision assumes the following:

- 2% per year cost escalation for listed projects of $\$10,000,000 = \$200,000/\text{year} \times 10 \text{ years} = \$2,000,000$

Section 26.1 proposes to make debatable the public purpose of project's public use. In fact, it opens the door for the approach taken to address the public use being decided via a jury trial. The potential impact to a project involves an adversarial position being taken for a completed project design, and an alternative decision being made by a jury. This would require the unit of government to re-design the project according to the direction of the jury, and regardless of the technical merit and cost-effectiveness of that decision. Aside from the financial impact of the delays involved, re-design would expose government to re-paying for the same design, typically 10% of the project budget. In St. Joseph, the impact would be as follows:

- $\$150,000,000 \text{ CSO Program} \times 10\% = \$15,000,000$ in additional design fees over 20 years
- $\$50,000,000 \text{ Road Projects} \times 10\% = \$5,000,000$ in additional design fees over 10 years

Section 26 also makes significant changes to the requirements of appraisals. On federal projects, and per state law now, appraisals are required to be made by licensed professionals. The intent is that for appraisals to consistently follow prescribed methodology, be objective, consistent, and defensible. The change to allow appraisals to conform with "methods typical to the ordinary course of business" essentially throws this professional approach out. If this change were made, a multitude of methods may be accepted, throwing valuation into a much higher level that is made without basis in fact. St. Joseph typically has experienced differences between trained individuals and the lay community at 50% or more. Over the next twenty years, the following would be expected:

- $\$9,000,000 - \text{value of CSO property/easement acquisition} \times 50\% \text{ escalation} = \$4,500,000$ extra that taxpayers would have to needlessly pay for a public project.
- $\$5,000,000 - \text{value of Road Projects property/easement acquisition} \times 50\% \text{ escalation} = \$2,500,000$ extra that taxpayers would have to needlessly pay for a public project

Section 28.4 has the potential for a massive abuse. It is not at all unusual for property owners to declare that they will not be able to utilize a property if not all of it is purchased, stating that the balance of the property not required would be an uneconomic remnant. Many governments, to avoid the creation or claim of such a condition, purchase the entire parcel,

construct their improvement, and the re-sell the balance of the property that was not needed in the first place.

Under the provisions of 28.4, a property owner has the potential to realize a profit twice on a property. The first, being the sale of property the government didn't originally need but acquired at the insistence of a property owner. The second, from a sole-source arrangement wherein he can re-purchase at the lower rate after improvements have been made to the property (when it would be worth more via the virtue of having a new road, new utilities, grading/clearing, etc. that was necessary for the project.) Taxpayers are hurt initially having to buy more property than needed, but can't realize the benefit of that investment by being required to sell a property back at the pre-developed rate. This type of issue is claimed on approximately 10% of all property acquisition activities as follows:

- \$14,000,000 (value of all property activities) x 10% = \$1,400,000
 - \$1,400,000 x 50% (value of properties purchased at insistence of owners) = \$700,000
 - \$700,000 x 25% (enhanced value typical of "unusable" property after a project) = \$175,000
 - Total lost \$875,000

One of the basic reasons that local government exists is to provide public services and construct and maintain public infrastructure. The proposed changes to the constitution would fundamentally alter these basic tenets of government, destroying the ability of government to plan for the future and to construct projects. In the time given to comment, St. Joseph was not able to compute the far-reaching and more significant impacts to a community that can't grow, can't improve itself, and can't provide the basic elements that its citizens, prospective businesses, and prospective citizens expect and require. The lost employment and resident opportunities are significant.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, **Cole County**, **Greene County**, **Jackson County Legislators**, the **City of Columbia**, the **City of Kirkwood**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, and **St. Louis Community College**.

Fiscal Note Summary

The total cost or savings to state or local governmental entities is unknown. Most state governmental entities estimate no costs, however, one state governmental entity reported potential unknown costs. Estimated costs, if any, to local governmental entities could be significant.

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (10-14)**

Subject

Initiative petition from Ron Calzone regarding a proposed constitutional amendment to Article VI, Section 21 and Article I, Section 26, 27, and 28.
(Received November 10, 2010)

Date

November 30, 2010

Description

This proposal would amend Article VI, Section 21 and Article I, Section 26, 27, and 28 of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, the **State Tax Commission**, **Cole County**, **Greene County**, **Jackson County Legislators**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, the **City of Gladstone**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Mark M. Levin, **City Administrator**, **City of Maryland Heights** provided information to the State Auditor's office.

Tim Fischesser, Executive Director, St. Louis County Municipal League provided information to the State Auditor's office.

Andrew Clements, Assistant Director of Public Works and Transportation, City of St. Joseph provided information to the State Auditor's office.

Assumptions

Officials from the **Attorney General's office** indicated they assume that the implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated the proposed amendment would not have any fiscal impact on their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this initiative, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated they defer their response to the Office of Administration, Division of Facilities Management, Design and Construction who is responsible for managing state-owned and leased property utilized by their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Corrections** indicated this initiative petition will have no impact for their department.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated they assume that this petition will result in no fiscal impact to their department.

Officials from the **Department of Social Services** indicated that since their department does not exercise the power of eminent domain, there is no fiscal impact to their department.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact to their office. They also indicated there should be no impact on general or total state revenues.

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated that with regard to this initiative petition, there will be no direct fiscal impact to their office. Please defer to the Office of Administration Budget and Planning and the Department of Revenue.

Officials from the **State Tax Commission** indicated this initiative petition will not have a fiscal impact to their agency.

Officials from **St. Louis County** indicated the county is opposed to the changes proposed in Article I, Sections 26-28 and in Article VI, Section 21. They estimated the costs of the proposed changes to the county at \$26,920,000 based on the following computations and comments:

Section 26 - Must be declared for public good or owners consent.
Cost \$400,000:

4 parcels @ \$50,000 each for two years because St. Louis County will not be able to condemn some properties. Properties might not be considered necessary to the project due to a very liberal definition of "necessary" but because of topography, property lines, and minimal AASHTO Standards, must be encroached on by the project construction.

Section 26 - Use of other than industry standard appraisal information:
For a typical year, St. Louis County estimates the cost to be \$6 million because nontraditional methods may be applied.
20 parcels @\$150,000 average for two years.

Section 26 - Property cannot be used until final determination by court.
Cost = \$20 million. Delay to projects will cause increase in construction costs. 10 projects @ \$1,000,000 each increase per year for two years.

Section 28, paragraph 2: Property can be sold to owner if project inactive for five years. Cost = \$520,000. St. Louis County estimates 2,000 hours of employee time @ \$30/hour to duplicate efforts and property research costs to repurchase properties for the project. This projection includes additional time to sell parcel back to original property owner. This includes an estimated \$200,000 in property value increase: 100 properties @\$2,000 each for two years.

The proposed change to Section 26 states, "The value of the property may be determined by, but is not limited to, appraisal methods typical to the ordinary course of business, and any evidence which would be considered by an appraiser in the ordinary course of business shall be relevant and admissible". That sentence relating to how to value property taken in condemnation seems to be an attempt to define what is relevant evidence. Broadening the evidence to include matters that appraisers don't usually consider does not help either party in such a proceeding. The phrase "but is not limited to" could be so loosely interpreted as to include opinions of value founded upon speculation and unsupported claims.

Also in Section 26, the sentence that prohibits the disturbance of property "until a final legal determination of the legitimacy of the taking is established..." could result in substantially increased construction costs, especially relating to highway projects. For example, in a highway project that consists of multiple parcels, no construction contract could be let until all legal challenges are finally disposed. In order for a challenge to be finally disposed of, all appeals and requests for transfers and rehearings (including any remands to the trial level) must be complete. This process may take years, and in certain cases, the appellate process may jeopardize the status of parcels for which there were no legal challenges, because of the passage of time referenced in Section 28, paragraph 2.

In the changes proposed in Section 28, the five-year requirement of "substantial accomplishment of the declared purpose" would prove problematic in long-term road expansions and improvements, such as St. Louis County's Baxter Road project.

Officials from the **City of Kansas City** indicated no increase in revenues will be experienced by this amendment and no savings will be experienced by this amendment. City officials provided the following comments regarding potential costs and losses resulting from passage of the initiative petition.

If the City of Kansas City were unable to condemn blighted property for economic development the costs could be split into two categories: First, there would be added costs to assemble land for redevelopment, as the purchaser would be held hostage, potentially, by landowners within the project boundaries. When land is acquired by eminent domain, by law the commissioners or jury must determine what the "fair market value" of the land is, and that is what the condemnor pays. Without condemnation, the landowner could simply demand exorbitant sums, which either kills the project or provides a windfall to one person at the expense of the taxpayers. That part of the equation alone, the increase in acquisition costs, would cost the city millions of dollars per year.

Second, the city has to deal with the blight still, if it is not able to condemn for economic development. And since large parts of Kansas City are blighted, removing the blight requires large scale demolition and nuisance abatement. Once you abate the nuisance, the result is a vacant lot that is attractive for dumping and has to be mowed or otherwise cared for at great expense, but that remains in the hands of the various owners who almost never take of those things. Typically, these properties end up in a land trust pursuant to the Land Tax Collection Act, because the taxes are not paid and the assessment for the nuisance abatement is larger than the value of the land. So what is the cost of the city if large tracts of land end up in this cycle? Has to be millions a gain in abatement expenses, lost tax revenue and the effect this kind of blight has on the adjoining land.

The city will incur losses pursuant to this amendment, though those losses are hard to quantify at this time. This amendment would make it impossible for a city in Missouri to condemn land for purely economic purposes, whether the land in question was blighted or not. If that were the case, typical "Downtown" type large-scale development would cease. The city has projects already underway on which it has or will have assembled land and will need to condemn part of the assembly. The losses would be of several types; first if it cannot complete the assembly at all it will have to descope, rescope or cancel the project. The professional (architect, designer, surveyor, appraisal) fees incurred would be lost. Also lost would be the acquisition costs of land assembled but the city no longer had a use for, in the case of a cancelled project. Second, the economic impact of not being able to do any more of these projects would have a huge financial impact on the city. It is again hard to quantify but the difference between having a

revived downtown or other area or not having the redevelopment would be many millions of dollars.

The proposed amendment would be a disaster for cities in Missouri for the reasons noted above. It is not just the money lost from the lack of development that leads cities to resist initiatives like this. In cities that have already been decimated by flight to the suburbs and a lack of decent public schools, blight has an insidious way of spreading out at the edges. And there is no way to clear blight one property at a time, you need wholesale blight clearance to make the economics work. And the only way to do that is with massive urban redevelopment.

Officials from the **City of St. Louis** indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the city. In addition, the following related information was provided by the city.

The initiative petition proposes changes to Article I, Sections 26, 27, and 28 that would prohibit the use of eminent domain for redevelopment by providing that: (a) only public entities can acquire property using eminent domain; (b) no private ownership or other private rights shall be considered a public use; (c) the future use must be declared at the time of acquisition and cannot be changed; and (d) the public entity that acquired the property via eminent domain cannot transfer such property to private ownership any sooner than twenty (20) years following the acquisition unless the original owner has been offered the right to buy back the property at the original price or unless the private owner is providing products or services incidental to the function of a publicly owned facility. Section 5 of the proposed amendment to Article I, Section 28, also appears to change Article VI, Section 21, by effectively stripping out the ability of local governments to use eminent domain for redevelopment that involves private entities through a provision that states that the proposed revisions to Article I, Sections 26, 27, and 28 limit the application of Article VI, Section 21. These proposed changes will result in both extreme costs and extreme loss of revenue to the city. The city uses eminent domain sparingly. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

In 1950, the city had 850,000 people—today, they have just over 350,000. As a result of this population loss, there are now thousands of vacant lots and structures in the City of St. Louis. As a result of this population loss, many former residences and businesses have now become vacant buildings and vacant lots. Many of these vacant properties have fallen into city ownership by default—when the private owner did not pay property tax due, the property was placed in a tax foreclosure sale, and if a private party did not bid on the property its ownership was transferred to the Land Reutilization Authority. Redeveloping this decay would be easy if all of the properties were side by side—and if all of our vacant buildings and lots were owned by the city. In fact, they are not. The city-owned

properties are scattered among many properties in the hands of private owners. Too many of these privately held properties are also blighted, making it very difficult—and in some cases nearly impossible—to redevelop these run-down areas. The vast majority of our privately owned vacant buildings and lots are not maintained by their private owners.

The result is that some of the City of St. Louis' neighborhoods are the best in the State of Missouri. But, others are plagued by poverty, poor infrastructure, and violence.

The City of St. Louis has made great progress in turning some of these neighborhoods around. But, it would not have happened without the possible use of eminent domain. Other neighborhoods waiting to be redeveloped will remain blighted if developers do not know at the beginning of a project that they will be able to complete it.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind when half a million people left the City of St. Louis. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not be possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses a gain leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild

the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. Developments like CORTEX, the new Pinnacle entertainment development, and Botanical Heights would no longer be possible—and it may not even be possible to complete those major developments that are already underway. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the city cannot address the distress that currently exists in the city using public funds alone. The reason they need redevelopment is because their tax base has eroded over the past fifty years. They cannot reconstruct their tax base without the ability to address blighted areas, and they cannot reconstruct their tax base without partnerships with private enterprise. The proposed amendment would prohibit partnerships with private enterprise in redevelopment.

If the city is forced to address its distressed areas by using city funds and twenty-year city ownership to cure the distress, before having the ability to acquire and sell the property to responsible owners, the result will be a significant additional cost to the City of St. Louis, as detailed on the attachments below. Further, since the city cannot possibly afford this cost, estimated at over \$40 million per year, the vast majority of these distressed areas will remain distressed. The proposed amendment would render the city powerless to arrest the decline that has occurred over the past five decades, and set the stage for greater decline in the future as the proposed amendment rewards speculators, slumlords and predatory land owners for their irresponsible behavior by eliminating one of the few effective tools for addressing the problems they cause.

Over the years, the city has also come to own many properties in distressed areas due to property tax and other lien foreclosures—this is but one symptom of areawide distress. Many of the distressed properties in the city remain in private ownership, even though they are for all practical purposes abandoned, because their owners pay minimal property taxes and weed and trash removal liens. Approximately 3,700 vacant buildings and 10,000 vacant lots remain in private ownership. This private ownership of abandoned property causes problems for both neighboring residents and businesses and the city and impairs the city's ability to heal itself after five decades of decay.

In addition, redevelopment of both publicly owned and privately owned vacant properties is seldom feasible without the ability to combine those parcels with other blighted property for redevelopment, since most of the city was originally platted in 25-foot frontage increments. Today, a 25-foot lot is virtually useless for

any purpose, residential or commercial. The proposed amendment would render the city unable to engage in redevelopment of these properties unless the city used public funds to do so. As detailed on the attachments below, they estimate that this inability to engage in redevelopment would cost the city more than \$40 million annually in lost future revenues, in addition to the \$40 million in additional city costs the city would incur in direct city funding of redevelopment activities directed towards alleviation of nuisance and problem properties.

The analysis in Attachment B provides detail on the types of costs the city would incur and the types of revenue losses the city would suffer if the amendment were to become law. Given the complexity of the issue and the amount of time available to provide this fiscal note, these figures are necessarily estimates. They believe, however, that the methodology described in Attachment B provides a reasonably accurate assessment of the fiscal impact to the City of St. Louis related to the impacts analyzed. In addition, in the interest of time, the attached assessment does not include each and every fiscal impact on the city—there are others which could be detailed if more time were available. The attached chart (Attachment A) summarizes the results of the methodologies applied in Attachment B and the estimated fiscal impact of the constitutional amendment.

As noted on the chart in Attachment A, they estimate that the total negative fiscal impact of the proposed Constitutional Amendment on the City of St. Louis is nearly (\$70 million) annually, and nearly (\$750 million) over a ten-year period. In addition, the amendment would produce a related negative fiscal impact on responsible private property owners whose property values suffer because of blight, absentee landlords, and predatory land owners.

ATTACHMENT A
SUMMARY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION
(Estimate Details Provided on Exhibit B)

CITY OF ST. LOUIS

COST OR LOST REVENUE ITEM:	ANNUAL COST/ REVENUE LOSS:	10-YEAR COST/ REVENUE LOSS-- 2.5% ANNUAL INFLATION:	NOTES:
ESTIMATED CITY NEW/CONTINUING COSTS:			
Nuisance Identification/Abatement Management:	(\$2,725,000)	(\$31,066,152)	
Nuisance Eradication by:			
--City-Funded Repair:	(\$24,750,000)	(\$282,160,462)	
--Demolition:	(\$1,732,500)	(\$21,945,814)	
--Weed Cutting/Debris Removal:	(\$13,860,000)	(\$123,322,900)	10-year cost reduced by vacant lots assumed to be redeveloped
ESTIMATED CITY NEW/CONTINUING REVENUE LOSSES:			
Property tax impact: Negative impact of vacant/vandalized privately owned properties on adjoining property values:	(\$3,297,210)	(\$37,589,591)	
Property tax impact: Inability to make property available for private rehabilitation:	(\$458,840)	(\$5,230,969)	
Property tax impact: Inability to develop property commercially:	(\$4,740,289)	(\$54,041,293)	
Lost building permit revenue: Inability to make available for private rehabilitation:	(\$364,500)	(\$4,155,454)	
Lost sales tax revenue: Inability to develop property as retail:	(\$14,904,040)	(\$169,912,351)	
Lost earnings/payroll tax revenue: Inability to develop commercially:	(\$1,586,559)	(\$18,087,444)	
TOTALS:	(\$68,418,937)	(\$747,512,430)	

ATTACHMENT B
DETAIL AND METHODOLOGY OF FISCAL IMPACT ESTIMATE:
EMINENT DOMAIN INITIATIVE PETITION

CITY OF ST. LOUIS

PROBLEM/NUISANCE PROPERTIES:
DIRECT CITY COSTS

Most neighborhoods in the City of St. Louis have problem properties. The majority of these properties are privately owned—problems associated with the properties include criminal behavior, excessive trash and noise, collapsing walls, missing windows, open to the elements and to trespass, unsightly conditions, and a host of other issues. These properties plague responsible neighborhood residents and have serious negative impact on residential and business quality of life. While some portion of these problem properties may fall into City ownership due to property tax delinquency, the majority of them will need to be addressed in another manner, because owners continue to pay minimal property tax and retain ownership of these problem properties. The only manner in which many of these properties can be addressed is ultimately via eminent domain, which the proposed amendment eliminates as a redevelopment tool by providing that any property acquired by the City using eminent domain cannot be "sold, leased, transferred, or otherwise made available for use by a private party" for a twenty-year period after the acquisition. The following analysis assumes that the City can in fact acquire the properties and alleviate the problematic conditions and hold them for a twenty-year period, even though this will not be possible in a practical sense, and attempts to calculate the cost. If these properties cannot be addressed with eminent domain and private redevelopment, actions currently undertaken to address problem/nuisance properties will (a) need to continue for the foreseeable future; (b) will need to be multiplied to address all rather than just some of the problems; (c) the City will need to add new staff to carry out the nuisance eradication work and management of the properties. The analysis below does not calculate the additional loss of revenue the City will face as more people and business leave the City because the City is powerless to address their problem and nuisance property concerns, nor does it assume that the City will acquire the properties using eminent domain and hold them for twenty years—it assumes that the proposed amendment effectively eliminates eminent domain as a tool for dealing with problem properties, which is clearly the intent of the amendment. If eminent domain were used and the City were required to hold and operate the properties for a 20-year period, the costs would be far greater than the costs estimated below.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

Explanation: The following analysis estimates the cost of the new staff the City will need to put in place to identify problem properties and manage the eradication of the problems without the use of eminent domain and private redevelopment. This analysis assumes that 10% of the estimated nuisances that exist today will be eradicated each year.

NUISANCE ERADICATION IDENTIFICATION AND MANAGEMENT:

• Current cost of problem properties task force:	\$342,000	Actual current cost
• Cost of police officer to serve warrants:	\$60,000	Actual current cost
• Cost to increase problem properties task force by 400%:	\$1,608,000	Current cost X 4
• Cost of staff to manage eradication of 750 nuisances per year (10% of 7,500 total):	\$715,000	(10 staff x \$50K ea.; 2 attorneys @ \$75K each; 1 manager @ \$65K, including
TOTAL ESTIMATED ANNUAL COST:		\$2,725,000
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$31,066,152

NUISANCE ERADICATION BY REPAIR:

Explanation: Occupied privately owned problem properties where owners cannot be induced to make repairs via prosecution will require nuisance eradication by City-funded repair—and it will not be practical or in many cases legal to evict the occupants in order to eradicate the nuisance. The estimated number of such nuisances is 4,000. Further, it will be necessary for the City to rehabilitate some vacant privately owned properties, either because the property is located in an historic district or because the legal risks associated with demolition are too great to risk demolition at a lower cost.

NUISANCE ERADICATION BY REPAIR:

• # occupied building nuisances abated by City:	400	10% of estimated 4,000 buildings
• # vacant nuisances abated by City:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Additional cost to abate occupied building nuisances:	\$10,000,000	Estimated \$25,000 per occupied
• Additional cost to abate vacant building nuisances:	\$17,500,000	Estimated \$100,000 per vacant building
TOTAL ESTIMATED ANNUAL COST:		\$27,500,000
LESS: 10% cost recovered via lien foreclosure:		(\$2,750,000)
NET ANNUAL COST:		\$24,750,000
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:		\$282,160,462

NUISANCE ERADICATION BY DEMOLITION:

Explanation: The above analysis assumes that 50% of privately owned vacant nuisance buildings can and should be rehabilitated, and that the remaining 50% require demolition. Often privately owned vacant buildings problem properties fall into such disrepair that the only mechanism for addressing the problem is demolishing the structure on the property. If these properties cannot be addressed by eminent domain before such time as demolition is inevitable, the City will be forced to continue to spend City funds to demolish the properties. While some of the cost of demolition is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost.

NUISANCE ERADICATION BY DEMOLITION:

• # of privately owned vacant buildings requiring demolition:	175	5% of estimated 3,500 non-LRA buildings per 2008
• Average cost to demolish each privately owned vacant buildings:	\$11,000	5% of estimated 3,500 non-LRA buildings per 2008
TOTAL ESTIMATED ANNUAL COST:	\$1,925,000	
LESS: 10% cost recovered via lien foreclosure:	(\$192,500)	
NET ANNUAL COST:	\$1,732,500	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation:	\$21,945,814	

NUISANCE ERADICATION BY WEED CUTTING & DEBRIS REMOVAL:

Explanation: Many privately owned problem properties are vacant; other privately owned properties have improvements but are abandoned—e.g., the owner does nothing to maintain the property. In both of these situations, City funds must be spent to remove unsightly conditions from the property so that the properties cause the least amount of harm to other properties on the block. While some of the cost of is recoverable through the lien and foreclosure process, this is only a small (less than 10%) portion of the cost. No deduction is made in this category for parcels acquired via property tax foreclosure, since once the property and the neighborhood deteriorate due to irresponsible property ownership it takes a long period of time for the property to be placed into productive use and the City must still maintain the property in the meantime to the best of the City's ability. Unlike the cost to abate nuisances, these costs cannot be spread over a number of years—maintenance must be performed annually. If liens are imposed and foreclosed upon, in most instances the private owner will not pay off the liens—thus, the property falls by default into public ownership and the City will be responsible for maintaining the property on an ongoing basis, unless and until the City can sell the property to another private owner.

NUISANCE ERADICATION BY WEEDCUTTING & DEBRIS REMOVAL:

• # of privately owned vacant lots requiring demolition:	7,000	70% of total 10,000 vacant lots
• Average cost per lot for weedcutting/debris removal:	\$2,200	8 events/year @ \$275/event
TOTAL ESTIMATED ANNUAL COST:	\$15,400,000	
LESS: 10% cost recovered via lien foreclosure:	(\$1,540,000)	
NET ANNUAL COST:	\$13,860,000	
TOTAL ESTIMATED 10-YEAR COST, w/2.5% annual inflation, 5% inv. reduction per year:	\$123,322,900	

LOST REVENUES

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

Explanation: Vacant and abandoned properties drive down the value of other properties located on the same block. The abandonment of a property is visible signal that its owners do not care about it to other owners on the block and to those who otherwise might be interested in purchasing property on the block. The City receives a high volume of complaints each year about vacant and vandalized privately owned properties. In 2005, according to the City's vacant building survey, the City had 3,751 privately owned residential vacant and vandalized buildings located on approximately 1,631 City blocks—the number of vacant and vandalized properties per block ranged from 1 to 16. The City must be able to take these properties out of the hands of

irresponsible owners who care nothing about the surrounding neighborhoods. If the City cannot do so, the City and other taxing jurisdictions will suffer from the negative impact of these problem properties on other properties forever, with no way to take back neighborhoods from owners that wreak havoc on our neighborhoods and responsible neighbors' lives. Assuming that each City block with one or more abandoned property reduces the value of other properties on the block by 10% (believed to be a conservative number in blocks that are plagued with more than one vacant and vandalized property), the cost to the City and other taxing jurisdictions in property taxes and the cost to adjacent owners in reduced property values are calculated below. No deduction is made in this category for parcels acquired via property tax or nuisance eradication lien foreclosure because the damage to neighboring property values has already been done by the time the City acquires the property through tax or nuisance eradication lien foreclosure. With eminent domain, the City has the ability (assuming funding is available) to acquire the property before damage to neighboring property values becomes irreversible.

NEGATIVE IMPACT ON ADJOINING PROPERTIES:

• Total # of City blocks (approximate):	5,771	Per City Assessor's
• Total # of parcels:	103,475	Per City Assessor's
• Average parcels/City block:	17.93	Per City Assessor's
• City blocks w/vacant & vandalized buildings:	1,618	Per City Assessor's records/ vacant
• Parcels negatively impacted by vacant buildings:	29,011	
• Average assessed value of residential parcel:	\$17,500	
• Total value parcels w/vacant buildings on block:	\$507,692,709	Parcels negatively impacted x average
• Estimated negative impact on assessed values of parcels due to vacant buildings on block:	(\$50,769,271)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ESTIMATED LOST REVENUES:	\$3,297,210	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$37,589,591	

In addition, nuisances hurt adjacent property owners by negatively impacting the value of the adjacent owners' property. This hurts owners by impairing their ability to sell or borrow against the property at a higher value.

NEGATIVE IMPACT ON MARKET VALUE OF NON-VACANT PRIVATELY OWNED PROPERTIES :	\$267,206,689	Assessed value/.19 = impact on market value
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LOST REVENUES DUE TO LACK OF PROPERTY IMPROVEMENT BY PRIVATE PARTIES:

Explanation—Vacant Building Rehabilitation: In addition to the loss of property tax associated with negative impacts on surrounding non-vacant properties, the fact that owners allow vacant and vandalized properties to deteriorate also costs the City and other taxing jurisdictions in lost tax revenue. When privately owned formerly abandoned or vacant properties are redeveloped as private property, these properties add growth to the City's tax base above and beyond the growth permitted by the Hancock Amendment. In addition, it is not reasonable to expect that the City itself would rehabilitate and occupy these properties that were formerly occupied by private parties—if the City were required to rehabilitate and occupy the properties forever, it would cost the City significant amounts of money to rehabilitate the properties, as described above, and to maintain the properties in the event that private parties do not purchase them. Further, if the City rather than private parties rehabilitates and occupies the properties (as

is required by the amendment—the City cannot take the property by eminent domain and sell it to a private owner for rehabilitation), the City will lose revenue that it would otherwise collect due to fees on improvement costs. The following factors are used below to calculate the loss of tax revenues as associated with the fact that the City will be unable to encourage property improvement and tax base growth if the amendment is passed:

LOST REVENUE DUE TO LACK OF PRIVATE PROPERTY IMPROVEMENT:

• Average assessed value of privately owned vacant/vandalized building:	\$7,545	2005 value per City Assessor w/2.5%
• Average sales price--single-family home:	\$164,698	City Assessor Data--
• Average assessed value--single-family home:	\$31,293	
• Assessed value lost due to inability to make vacant buildings available for private rehabilitation:	\$23,748	
• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Total annual assessed value lost due to inability to make vacant buildings available for private rehabilitation:	(\$8,311,829)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$539,812	
LESS: 15% to City ownership via tax foreclosure:	(\$80,972)	
NET ANNUAL COST:	\$458,840	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$5,230,969	

LOST BUILDING PERMIT FEE REVENUE:

• # of privately owned vacant buildings that could be privately rehabilitated per year if available:	350	10% of total 3,500 buildings
• Approximate average rehabilitation cost:	\$100,000	
• Approximate total rehabilitation cost:	\$35,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
• # of privately owned occupied buildings that could be privately rehabilitated per year if available:	400	10% of total 4,000 buildings
• Approximate average rehabilitation cost:	\$25,000	
• Approximate total rehabilitation cost:	\$10,000,000	
• Building Permit Fee rate:	\$9/\$1000	City Assessor Data--
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$405,000	
LESS: 20% private owner compliance:	(\$40,500)	
NET ANNUAL COST:	\$364,500	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$4,155,454	

Explanation—Lost Revenue due to Lack of Vacant Land Redevelopment: Many privately owned City properties are vacant lots where the improvements have been demolished, either by the City or by the private owner. These vacant lots are scabs on otherwise intact neighborhoods. In many city neighborhoods, these vacant lots outnumber parcels with improvements. In many cases, the vacant parcels, 25' wide, are flanked by other vacant properties owned by multiple owners. The City's inability to use eminent domain to assemble these vacant lots and abandoned properties and return them to productive use will result in significant lost revenues—sales tax revenues, property tax revenues and payroll/earnings tax revenues. In addition, the development of new retail and other facilities is essential to preserving the City's existing population and encouraging new residents to locate in the City. Such development is currently occurring in the

City but will come to a halt if the amendment passes. The following factors are used below to calculate the loss of tax revenues associated with the fact that the City will be unable to encourage commercial redevelopment of a abandoned property and tax base growth if the amendment is passed:

LOST REVENUE DUE TO LACK OF VACANT LAND REDEVELOPMENT:

• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Average area of one (1) vacant lot:	4,687	125' x 37.5'
• Total vacant lot area:	47,483,997	125' x 37.5'
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	23,741,999	
• Total developable vacant lot area:	71,225,996	
• Assume 10% of vacant lot area could be redeveloped as retail:	7,122,600	
• Assumed building coverage for retail:	25%	
• Total area not developed as retail:	1,780,650	
• Average retail sales/sq. ft./year:	\$300	
• Total retail sales lost:	\$534,194,966	
• City sales tax rate:	3.10%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$16,560,044	
LESS: 15% to City ownership tax foreclosure/other:	(\$1,656,004)	
NET ANNUAL COST:	\$14,904,040	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$169,912,351	

• Average jobs/1,000 sq. ft. retail:	3	
• Total retail jobs lost:	5,342	
• Average annual salary/retail job:	\$22,000	
• Total payroll lost:	\$117,522,893	
• City earnings/payroll tax rate:	1.50%	City Budget Office
TOTAL ANNUAL ESTIMATED LOST PERMIT REVENUE:	\$1,762,843	
LESS: 15% to City ownership tax foreclosure/other:	(\$176,284)	
NET ANNUAL COST:	\$1,586,559	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$18,087,444	

• Average assessed value of privately owned vacant parcel:	\$3,772	2005 value per City Assessor w/2.5%
• Average assessed value commercial non-vacant parcel:	\$57,139	2005 value per City Assessor w/2.5%
• Assessed value difference--vacant/non-vacant:	\$53,367	
• # of privately owned vacant lots in City:	10,131	2005 City Assessor
• Additional 50% City-owned vacant lots that cannot be redeveloped w/o adjacent privately owned lots:	5,066	
• Total developable parcels:	15,197	
• Assume 10% of vacant lot area could be redeveloped as retail:	1,520	
• Total estimated assessed value increase if parcels were developed:	(\$81,099,195)	
• 2008 residential property tax rate:	\$6.4945/\$100	
TOTAL ANNUAL ESTIMATED LOST PROPERTY TAX REVENUE:	\$5,266,987	
LESS: 15% to City ownership tax foreclosure/other:	(\$526,699)	
NET ANNUAL COST:	\$4,740,289	
TOTAL ESTIMATED 10-YEAR IMPACT, w/2.5% annual inflation:	\$54,041,293	

ATTACHMENT B (CONT'D)
OTHER FISCAL IMPACTS:

Non-Physical Nuisances: The proposed amendment does not clearly define "nuisance." Non-physical nuisances (e.g., criminal activity, drugs, antisocial behavior) are difficult if not impossible to cure and cannot be cured with "eradication" activities that place a lien on the property. Often the use of eminent domain is the only way to get such a property out of the hands of problem owners and into the hands of a responsible party.

Inability to Redevelop as Higher Quality Residential Property: Much of the city's housing stock is obsolete and unattractive to the modern housing market. Eradicating nuisances per se does not allow the city to redevelop obsolete residential property into homes that will attract modern residents. Thus, the inability to redevelop obsolete and deteriorated residential property as higher quality residential property also has a cost. This cost can be estimated but we have not taken the time to do so here.

Inability to Adequately Address Blighted Areas and Impact on Other Property: The city has been in a continuing state of decline for the past five decades. Only recently has this decline been arrested. Now the city's problems are slowly but surely being turned into opportunities, in large part because people believe that the city is making progress and will continue to do so. This progress has been possible due in large part to the availability of eminent domain for private redevelopment. If the proposed amendment becomes effective, this progress will come to a halt, and this in turn will (a) discourage "new" investors and homeowners from giving the city a chance, and (b) discourage those who have already invested in the city from remaining. The city has many problems, and those problems are being addressed, but total transformation cannot and will not happen overnight. It is essential that the city be able to continue to make progress if the successes recently experienced are to be sustained. If eminent domain is not available as a redevelopment tool in conjunction with private redevelopment, businesses and residents will once again leave the city and the same kinds of decline, disinvestment and population loss that the city previously suffered will continue into the foreseeable future.

Officials from the **City of Gladstone** indicated the proposed changes to the Missouri Constitution as identified in initiative petitions 10-13 and 10-14 would result in significant increases in cost and significant amounts of lost revenue to the City of Gladstone. They provided the following estimated costs and comments.

City officials said it is difficult to quantify the cost and loss to the city if the Missouri Constitution is amended as proposed in either initiative petition 10-13 or 10-14. However, the City of Gladstone has initiated considerable neighborhood improvements projects that have become very effective at rebuilding blighted neighborhoods. Costs have exceeded \$100,000 for abatement and maintenance issues. The city currently has initiated a multi million dollar improvement to a blighted shopping center. Without the rights to work through eminent domain, this blight improvement could never have been leveraged with the private owner.

City officials said they use eminent domain sparingly. But it is a very important tool that is vital in efforts to overcome blight. Eminent domain is needed to eradicate vacant, abandoned, dangerous and problem properties. Private participation in the redevelopment process is necessary because the city does not have the resources to acquire all vacant, abandoned, dangerous, and problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. The city does not wish to be a landlord for such properties for twenty (20) years. According to the proposed amendments, the city could not even enlist the assistance of private enterprise in the operation of the properties or to realize any income of the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, transferred, leased or otherwise made available for use by a private entity within 20 years of such taking, unless the original owner...been afforded the first opportunity to purchase such property back at a price no greater than was paid at the time of taking..." Private redevelopment and ownership allows the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city.

The amendment would also make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas. The city cannot address the distress that currently exists in the city using public funds alone.

Unfortunately, there are situations in which vacant and abandoned properties, owned by absentee landlords, drive down the values of surrounding properties. The city must be able to take these properties out of the hands of irresponsible owners who care nothing about the property. The city does have nuisance abatement procedures in place; however, if the property owner even pays the minimum property tax, the city's recourse for improving the property is limited.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no significant fiscal impact on their college.

Mark M. Levin, City Administrator, City of Maryland Heights provided information in opposition to this proposal. Below is a summary of the information city officials provided.

City officials said the proposed amendment would substantially increase the costs of needed public infrastructure improvements. The rules of evidence limiting the admissibility of evidence in the determination of property values by the court will be set

aside by authorizing the admittance of any evidence that may be construed to be relevant. Based upon repeated experience in cases involving the acquisition of rights-of-way, this provision will substantially increase the cost of property acquisition.

During the last three years, the City of Maryland Heights undertook 10 public improvements projects requiring the acquisition of real property. The cost of land for these projects ranged from \$2500 to \$522,000; the total cost of land was \$1,322,636, an average of \$440,878 per year. The City Council has recently approved a 5-year \$40,000,000 Capital Improvement program that contains 24 projects similar to those completed in previous years. A very conservative estimate projects that the passage of this amendment would increase property acquisition costs for the City of Maryland Heights by 20%, or \$88,000 per year.

Tim Fischesser, Executive Director, St. Louis County Municipal League provided information in opposition to this proposal. Below is a summary of the information the agency provided.

St. Louis County Municipal League officials said they are opposed to the proposed changes as it would likely stymie local redevelopment efforts that are needed due to a stagnant economy and foreclosure on many homes in their county.

While the level of blight and property abandonment is not as acute in St. Louis County as in the City, there are areas in the County that have seen significant disinvestment. Many municipalities, particularly those in North St. Louis County have seen substantial population losses since the 1970's. The increase in the number of home foreclosures in recent years has exacerbated this problem.

St. Louis County and its municipalities face the same issues as the City of St. Louis in identifying and abating nuisances caused by vacant properties and with revenue loss from these abandoned areas. Some areas of the city have been experiencing disinvestment for over 50 years, leading to an estimated 3700 vacant buildings and 10,000 vacant lots. While the numbers of vacancies in the county has not reached the epic proportions seen in the city, there are still a large number in some poorer communities and it continues to grow as a result of the national economic downturn.

County officials said their estimate of costs and revenue losses was based on 38 % of the estimate of costs and revenue losses computed by St. Louis City. They said this percent was arrived at by dividing St. Louis County's poverty rate in 2008 (9%) to that of the City (24%). The officials said the poverty rate is a good index to base demand for the use of eminent domain for economic development and revitalization. The officials said these amounts are not one time costs, but would be incurred annually if the amendment were to be approved by voters.

<u>Estimated New/Continuing Costs</u>	<u>City</u>	<u>County</u>
Nuisance Identification/Abatement Management	(\$2,725,000)	(\$1,035,500)
Nuisance Eradication by:		
City Funded Repair	(\$24,750,000)	(\$9,405,000)

Demolition	(\$1,732,000)	(\$658,160)
Weed Cutting/Debris Removal	(\$13,860,000)	(\$5,266,800)
<u>Estimated New/Continuing Revenue Losses</u>	<u>City</u>	<u>County</u>
Property tax impact: Negative impact of vacant/ vandalized privately owned properties on adjoining property values	(\$3,927,210)	(\$1,492,340)
Property tax impact: Inability to make property available for private rehabilitation	(\$458,840)	(\$174,359)
Property tax impact: inability to develop property commercially	(\$4,740,289)	(\$1,801,310)
Lost building permit revenue: Inability to Make available for private rehabilitation	(\$364,500)	(\$138,510)
Lost sales tax revenue: Inability to develop property as retail	(\$14,904,040)	(\$5,663,535)
Lost earnings tax revenue: Inability to develop commercially earnings tax	(\$1,586,559)	NA, no County
TOTALS	(\$68,418,937)	(\$25,635,514)

Andrew Clements, Assistant Director of Public Works and Transportation, City of St. Joseph provided information in opposition to this proposal. City officials estimated the costs of the proposed changes to the city at \$37,375,000 based on the following computations and comments.

City officials indicated the initiative petition would result in significant increases in cost and significant amounts of lost revenue to the city. They said the city uses eminent domain sparingly. But it is a very important tool that is vital in their efforts to overcome hundreds of acres of blight caused by five decades of suburban flight.

Much like St. Louis, St. Joseph boasted a population of 100,000 in 1900, which has fallen to 73,000 since. As a result of this population loss, there are now hundreds of vacant lots and structures in the City of St. Joseph.

Redeveloping this decay would be easy if all of the properties adjacent to each other, but old-style building lots (many times 40' x 100' wide) will not accommodate modern development. To re-develop, multiple lots need to be combined in a practical density to attract both developers and builders to invest and for potential residents to purchase and live in. But lacking concentrations of contiguous lots, re-development is difficult to achieve. The vast majority of privately owned vacant buildings and lots are not maintained by their private owners. Many of these structures suffer from the blight in the larger neighborhood and block reasonable re-development. Blight, and its effects on neighboring properties, property taxes, and public service delivery spread ever wider if not addressed.

Eminent domain is needed to eradicate the vacant, abandoned, dangerous and problem properties that were left behind 25% of St. Joseph's population left.

Private participation in the redevelopment process is necessary because the city does not have the resources to acquire the thousands of problem properties in the city, eliminate the problematic conditions, and hold the property for twenty (20) years. These properties were never used for governmental purposes and were not intended for governmental use. The city does not wish to—and cannot afford to—use public funds and eminent domain to purchase these properties, use public funds to redevelop them—and then own them and operate them for what are essentially private business and residential purposes for a twenty-year period. As provided in the proposed amendment, the city will not even be able to enlist the assistance of private enterprise in the operation of the properties or to realize any income from the property to offset the expense of acquiring and redeveloping it for the twenty-year period, because the proposed amendment prohibits the property from being "sold, leased, transferred, or otherwise made available for use by a private party within 20 years of such taking...unless the private owner is providing products or services incidental to the function of a publicly owned facility." Private redevelopment and ownership will allow the city to rebuild its tax base; public ownership for a twenty-year period, on the other hand, will cost the city millions upon millions of dollars and result a veritable wasteland for two decades since it will not be possible for the city to use the property in any manner that allows the city to recoup even a portion of its investment—if it were even possible for the city to make the investment in the first place. Since city funds are not available, it will not possible to address these conditions with the limited and weak mechanisms that will remain if the amendment passes. Thus, the proposed amendment would sentence the city to another five—and more—decades of decline, disinvestment and population loss as people and businesses gain leave the city because they cannot tolerate negative conditions that the city is powerless to change. The city needs to rebuild the market for city real estate and rebuild its tax base in the process—the proposed amendment would make it impossible for the city to do this.

Even more important, the amendment will make it impossible for the city to address the redevelopment of blighted areas in a manner that returns these areas to productive uses that generate tax revenues for the city and the State of Missouri. The redevelopment of blighted areas necessarily involves the participation of the private sector, which the amendment would prohibit for a twenty-year period. While few cities enjoy the prospect of utilizing this power as a re-development tool, it is nevertheless a tool that is effective both in its actual use and its possible to motivate all of the players involved in re-development to make the decisions necessary to rescue neighborhoods and commercial areas one at a time. It is critical that the city retain the ability to address blighted areas and to partner with private enterprise for the redevelopment of these blighted areas—the city cannot address the distress that currently exists in the city using public funds alone.

City officials said because of the limited time allowed to review this is sue and its far-reaching impacts, sufficient time to analyze the fiscal impact has not been provided. However, over a ten year period they estimated an impact of approximately \$7,500,000.

The officials further added that changes to the constitution regarding public purpose, property retention, and deadlines for use, would have dramatic and far-reaching impacts on any government undertaking typical public projects in a typical year.

In St. Joseph, city government seeks to be as efficient and prudent with public funds as possible. An effective tool to hedge against future costs for projects that do not have complete funding available is to pursue corridor preservation projects. Examples of this would be to acquire property necessary to build a new road in the future of easements for a new sewer, flood control, or utility project. Taxpayers realize a benefit from purchasing property today at current valuations and also hedge off future costs by purchasing property before it develops. Already developed property costs more and has more negatives attached to it (possible purchase and demolition of homes and businesses) that could easily be avoided if the government owned necessary property before development.

It is not uncommon for corridor preservation projects to precede actual utilization by 10-20 years. However, if section 28.2 were enacted, all property would return after five years. This would effectively eliminate the ability of government to reduce the future costs of future public improvements. It will make easily avoided conflicts more expensive and more difficult, with property owners and taxpayers suffering needlessly. In St. Joseph, this provision assumes the following:

- 2% per year cost escalation for listed projects of $\$10,000,000 = \$200,000/\text{year} \times 10 \text{ years} = \$2,000,000$

Section 26.1 proposes to make debatable the public purpose of project's public use. In fact, it opens the door for the approach taken to address the public use being decided via a jury trial. The potential impact to a project involves an adversarial position being taken for a completed project design, and an alternative decision being made by a jury. This would require the unit of government to re-design the project according to the direction of the jury, and regardless of the technical merit and cost-effectiveness of that decision. Aside from the financial impact of the delays involved, re-design would expose government to re-paying for the same design, typically 10% of the project budget. In St. Joseph, the impact would be as follows:

- $\$150,000,000 \text{ CSO Program} \times 10\% = \$15,000,000$ in additional design fees over 20 years
- $\$50,000,000 \text{ Road Projects} \times 10\% = \$5,000,000$ in additional design fees over 10 years

Section 26 also makes significant changes to the requirements of appraisals. On federal projects, and per state law now, appraisals are required to be made by licensed professionals. The intent is that for appraisals to consistently follow prescribed methodology, be objective, consistent, and defensible. The change to allow appraisals to conform with "methods typical to the ordinary course of business" essentially throws this professional approach out. If this change were made, a multitude of methods may be accepted, throwing valuation into a much higher level that is made without basis in fact. St. Joseph typically has experienced differences between trained individuals and the lay community at 50% or more. Over the next twenty years, the following would be expected:

- $\$9,000,000 - \text{value of CSO property/easement acquisition} \times 50\% \text{ escalation} = \$4,500,000$ extra that taxpayers would have to needlessly pay for a public project.
- $\$5,000,000 - \text{value of Road Projects property/easement acquisition} \times 50\% \text{ escalation} = \$2,500,000$ extra that taxpayers would have to needlessly pay for a public project

Section 28.4 has the potential for a massive abuse. It is not at all unusual for property owners to declare that they will not be able to utilize a property if not all of it is purchased, stating that the balance of the property not required would be an uneconomic remnant. Many governments, to avoid the creation or claim of such a condition, purchase the entire parcel,

construct their improvement, and the re-sell the balance of the property that was not needed in the first place.

Under the provisions of 28.4, a property owner has the potential to realize a profit twice on a property. The first, being the sale of property the government didn't originally need but acquired at the insistence of a property owner. The second, from a sole-source arrangement wherein he can re-purchase at the lower rate after improvements have been made to the property (when it would be worth more via the virtue of having a new road, new utilities, grading/clearing, etc. that was necessary for the project.) Taxpayers are hurt initially having to buy more property than needed, but can't realize the benefit of that investment by being required to sell a property back at the pre-developed rate. This type of issue is claimed on approximately 10% of all property acquisition activities as follows:

- \$14,000,000 (value of all property activities) x 10% = \$1,400,000
 - \$1,400,000 x 50% (value of properties purchased at insistence of owners) = \$700,000
 - \$700,000 x 25% (enhanced value typical of "unusable" property after a project) = \$175,000
 - Total lost \$875,000

One of the basic reasons that local government exists is to provide public services and construct and maintain public infrastructure. The proposed changes to the constitution would fundamentally alter these basic tenets of government, destroying the ability of government to plan for the future and to construct projects. In the time given to comment, St. Joseph was not able to compute the far-reaching and more significant impacts to a community that can't grow, can't improve itself, and can't provide the basic elements that its citizens, prospective businesses, and prospective citizens expect and require. The lost employment and resident opportunities are significant.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, **Cole County**, **Greene County**, **Jackson County Legislators**, the **City of Columbia**, the **City of Kirkwood**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, and **St. Louis Community College**.

Fiscal Note Summary

The total cost or savings to state or local governmental entities is unknown. Most state governmental entities estimate no costs, however, one state governmental entity reported potential unknown costs. Estimated costs, if any, to local governmental entities could be significant.

MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (10-15)

Subject

Initiative petition from Richard LaViolette regarding a proposed constitutional amendment to Article X, Section 4(b), Section 6.1-6.4, and Section 8. (Received November 15, 2010)

Date

December 3, 2010

Description

This proposal would amend Article X, Section 4(b), Section 6.1-6.4, and Section 8 of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, the **State Tax Commission**, **Clay County**, **Greene County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of Kirkwood**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Assumptions

Officials from the **Attorney General's office** indicated they assume that the implementation of this proposal creates no fiscal impact. However, they assume that

because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this language will have no fiscal impact on their department.

Officials from the **Department of Elementary and Secondary Education** indicated this proposal will have a significant negative impact on local school districts and a potential for a negative impact on state government.

Officials from the **Department of Higher Education** indicated that this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated that this initiative, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated they defer their response to the Office of Administration, Division of Facilities Management, Design and Construction who is responsible for managing state-owned and leased property utilized by their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on the department.

Officials from the **Department of Public Safety** indicated they assume this proposal, if adopted by the voters, will have no fiscal impact.

Officials from the **Department of Social Services** indicated this initiative petition would cut income to the Blind Pension Fund by approximately 19%. In fiscal year 2011, income to the fund is estimated to be approximately \$30,000,000. Department officials estimated lost income would total at least \$5,700,000 ($19\% \times \$30,000,000 = \$5,700,000$).

The officials said the Blind Pension Fund pays a monthly allowance to qualified blind citizens and also helps fund rehabilitative services for the blind. They assumed the state will continue to provide the services at the existing level, which would require General Revenue to make up the lost Blind Pension Fund revenue.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposed amendment that would exempt tangible personal property (Class 2) from assessment and taxation could reduce local and state revenues based on the following computations and comments.

The officials said the State Tax Commission (STC) has reported to OA - Division of Budget & Planning (B&P) that the 2010 assessed value for personal property is currently \$18.6 billion.

The primary source of receipts for the Blind Pension Fund (BPF) is a property tax of 3-cents per \$100 of assessed valuation.¹ OA officials calculated the exemption of tangible personal property will reduce BPF receipts by an estimated \$5.58 million.

OA officials said local revenues, most notably for schools but also for numerous municipal governments, will be reduced. They said the STC suggests \$6.27 per \$100 of assessed valuation is a reasonable estimate of the local average tax rate. Using this rate, OA officials estimated local receipts may decrease \$1.166 billion as a result of this amendment.

The officials also said while the state's General Revenue fund will not experience a loss of revenues as a direct result of this proposal, other impacts are possible, including

(1) State expenditures, in particular for education but also to assist other municipal governments, may need to increase. Full replacement of lost revenues would be difficult, given current budget realities, and could only occur if expenditures are reduced in other areas, and

(2) General revenue collections might increase through induced economic activity, particularly if taxpayers choose to use their property tax savings in consumption or income-generating pursuits, but B&P could not estimate these potential revenue impacts.

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2011, at the August and November elections, there were 6 statewide

¹ State Fund No. 0621. The tax is authorized by Section 209.130, RSMo.

Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated that with regard to this initiative petition, there will be no direct fiscal impact to their office. Please defer to the Office of Administration Budget and Planning and the Department of Revenue.

Officials from the **State Tax Commission** indicated this initiative petition will not have a fiscal impact on their agency. However, changes proposed by this petition will have an impact on local revenue and the blind pension fund.

They said the 2010 total assessed value for personal property is currently at \$18.6 billion and the aggregate property tax rate their staff used for estimating purposes is \$6.27 per hundred dollars of assessed value.

Based on these figures, the officials estimated total loss of revenue would be \$1,166 billion based on the following computation.

$\$18,600,000,000 \text{ assessed value} \times \$6.27 \text{ tax rate per hundred dollars of assessed value} = \$1,166,220,000.$

Officials from the **City of Jefferson** indicated the city estimates lost revenue of approximately \$4,000 per year should this initiative petition become law.

Officials from the **City of Kirkwood** indicated they cannot assess the impact based upon the description contained in the proposal.

Officials from the **City of St. Louis** indicated the proposed constitutional amendment would result in a catastrophic loss of revenue to the city estimated at over \$70 million annually based on the following comments and computations.

They said this initiative petition if enacted would, among other things, eliminate the personal property tax and a subclass merchants and manufacturing tax in the City of St. Louis. The officials estimated that the city's 2010 personal property assessments will generate approximately \$54,895,097 in tax revenues ($793,430,805 \times \$6.9187$) and the 2010 merchants and manufacturing taxes estimated to generate approximately \$15,430,546 in tax revenues ($267,649,802 \times \$5.7652$). The officials said these amounts are significant, and a loss of revenues of this magnitude would greatly affect the level of essential city services the city is able to deliver to its residents.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated if the lost revenue is replaced, this legislation would have no fiscal impact on their college.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, **Clay County**, **Greene County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Kansas City**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, and **St. Louis Community College**.

Fiscal Note Summary

Prohibiting the levy of tangible personal property taxes by local governments would eliminate or reduce funding for local governmental services, including public schools. State governmental services to the blind could lose funding. The estimated revenue reduction to state and local governmental entities could exceed \$1.1 billion annually.

MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (10-17)

Subject

Initiative petition from Matt Cologna regarding a proposed amendment to Chapter 115 of the Revised Statutes of Missouri. (Received December 6, 2010)

Date

December 22, 2010

Description

This proposal would amend Chapter 115 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, **St. Louis County Election Board**, **St. Louis Election Board**, **Kansas City Election Board**, **Platte County Board of Elections**, **Jackson County Election Board**, and **Clay County Election Board**.

Assumptions

Officials from the **Department of Economic Development** indicated there is no anticipated fiscal impact for their department.

Officials from the **Department of Higher Education** indicated that this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated that this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Social Services** indicated there will be no fiscal impact to their department.

Officials from the **Missouri House of Representatives** indicated the proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact on their department. Budget and Planning defers to the Secretary of State's Office for statewide costs of election authorities.

They provided the following Technical Note:

The proposed amendment does not repeal or amend Section 115.639.1 RSMo, which requires employers to provide employees three hours away from their employment between the opening and closing of polls for the purpose of voting. However, if this section were repealed or is deemed unnecessary, there would be an estimated statewide savings of \$26,481 to \$54,106 per election.

$$\$32,592/2,080 = \$17.28 \times 1,690 = \$26,481$$

$$\$32,592/2,080 = \$17.28 \times 3,453 = \$54,106$$

\$32,592 average state employee salary (uniform classification and pay positions)

2,080 annual hours (to convert to hourly wage rate)

3,453 state employee voting leave with pay hours during the 2008 general election

1,690 state employee voting leave with pay hours during the 2010 general election

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

This measure will require the Secretary of State to reimburse local election authorities for increased costs. The measure will require the Secretary of State to reimburse local election authorities for operating satellite locations, including payment for election judges and the equipment necessary for federal elections.

Based on the current distribution of registered voters, the measure would require 48 satellite sites for early voting for 17 election authorities using the 50,000 registered voter formula – St. Louis City (4), St. Louis County (14), Kansas City (4), Jackson County (4) and the counties of Cape Girardeau (1), Christian (1), Cole (1), Buchanan (1), Franklin (1), Cass (1), Platte (1), Jasper (1), Boone (2), Clay (3), Jefferson (2), Greene (3), St. Charles (4). The fiscal note assumes that each early voting satellite voting location would be staffed by four election judges paid \$9 per hour for the 137 hours that they will be open for early voting - a total of \$236,736 per election. Election authorities could also incur ongoing costs for maintenance of the satellite locations, including rent, utilities, and broadband internet service, in the approximate amount of \$1,260 per satellite location for one month or a total of \$60,480 per election.

Local election authorities would incur one-time costs for the purchase of equipment necessary for early voting at the satellite locations, including accessible voting machines for disabled voters, laptop computers and printers:

- 1 accessible voting machine per satellite site= \$5,000

- 2 laptop computers per satellite site = \$1,600

- 1 ballot on demand printer per satellite site = \$7,500

- \$14,100 per satellite site multiplied by 48 satellite sites = \$ 676,800 initial start up costs, of which \$250,000 could be paid for with federal funds under the Help America Vote Act.

Early voting would take approximately half the time to process as walk-in absentees, therefore early voting at a central location should not result in increased costs to the

election authorities, as elections staff would already be available to process walk-in absentee voters.

FY 2015- November 2014 general election

Total cost for FY 2015- \$236,736-pollworkers

\$60,480-rent, utilities

+ \$676,800-initial start up cost

\$974,016

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated there is no immediate fiscal impact to their office. Please defer to Office of Administration and Department of Revenue.

Officials from **Greene County** indicated costs would be \$91,036 based on the following analysis:

EARLY VOTING COSTS

Assumptions: Greene County expects half of voters in an election to cast early ballots. These votes will be cast over 15 business days, at five early voting locations (including the Clerk's Office).

Each location will be open eight hours per day for voting, with 4 bi-partisan workers at each site for the 1st week of early voting, and 6 workers at each site for the 2nd week, and 8 workers for the last week and each of the two Saturdays included in the period.

Judges will arrive an hour before the site opens, and leave an hour after the site closes. Each Judge will be trained 2 hours.

Each site will have four laptop computers connected in real time to the election official's office, to look up voter names and ballot styles. Each location will be provided a cell phone to call the election authority's office.

Each site will be equipped with 1 touch screen voting machine which produce a paper trail. Each site will also have every ballot style on a paper, optical scan ballot format and ballot counter.

Supervisory judges from each party will return voted ballots to the election authority at the end of each day where they will be locked in special cabinets.

EXTRA STAFF/ELECTION JUDGES

TRAINING:

40 judges, times two hours, times \$12 per hour =	960.00
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EARLY VOTING HOURS:

1st week: 20 judges times 4 days, times 10 hours per day, times \$12	9,600.00
2nd week: 30 judges times 6 days, times 10 hours per day, times \$12	21,600.00
3rd week: 40 judges times 5 days, times 10 hours per day, times \$12	24,000.00

OFFICE STAFF TIME: Processing and storing returned ballots.

4 Deputy Clerks times 16 days, times 2 hours, times \$12	1,536.00
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Subtotal	<u>57,696.00</u>
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EQUIPMENT AND TECHNOLOGY

VOTING MACHINES:

Program, test and deliver 1 DRE machine to each of 5 locations.	1,000.00
Program, test and deliver 4 Optech machines to each of 5 sites.	2,000.00

COMPUTER AND OTHER EQUIPMENT:

Rent 20 laptop computers at \$20	400.00
Install four Internet routers at \$200	800.00
Pay IS Department for set-up and installation	600.00
Purchase 2 lockable storage cabinets for returned ballots	2,000.00
Purchase 80 ballot box/transfer cases at \$200 each	16,000.00
Cell phones	640.00

Subtotal	<u>23,440.00</u>
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MISCELLANEOUS COSTS

Polling Place rent (4 locations at \$100 per day for 15 days)	6,000.00
Miscellaneous supplies	1,500.00
Reprogramming and testing DRE's prior to election day	2,000.00
Additional judges on election day to process early votes	400.00

Subtotal	<u>9,900.00</u>
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Grand Total:	\$91,036.00
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Officials from **Jasper County** indicated most of the proposed provisions in this petition are already being practiced by their County Clerk in the Elections Division. Therefore, in most cases the county would not have additional costs in excess of what is being paid now in the elections process. The only additional costs noted by our County Clerk would be to hire an additional individual representing one of our political parties during the last 20 days preceding a major election. The officials estimated these costs at \$2,500.

Officials from **St. Charles County** indicated they estimate their cost for this proposal to result in a cost of \$334,600 for the first election held and \$289,600 for each subsequent election held under this proposal.

FIRST ELECTION

Additional site locations rent:	\$ 28,800.00
Judges:	\$100,000.00
Van rental/workers to Deliver ballots:	\$ 8,800.00
Computers:	\$ 15,000.00
Software programming to provide on site lists for voters wanting to know who has already voted in advance. 115.276.1 Sub Section 10, including Election Authority staff time:	\$ 20,000.00
Internet:	\$ 2,000.00
Ballots:	\$147,000.00
Secure Storage at satellite sites:	\$ 10,000.00
Saturday & Sunday Overtime:	\$ 3,000.00
TOTAL:	\$334,600.00

EACH ADDITIONAL ELECTION

TOTAL:	\$289,600.00
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Officials from **Taney County** indicated their estimated cost would be:

1. Addition of two temporary judges - 2 person x 80.00/day x 15 working days = \$2,400.00
2. Eight hrs. of additional work for two temps on Saturday and Sunday = \$640.00
3. Costs of paper (.10/sheet) and CD's (\$10/each) for Public Service Requests (PSR) for Early Voter lists that are requested.
4. Possible additional roster printing for signing by the voters, and/or the cost of labels to print a roster using our electronic poll books. Estimated 3,000 early voters (based on number of absentees in previous election). 3000 x .0119 = \$35.70
5. Total estimated cost increase = \$3,075.70, not including the unknown factor of PSR fees.

Officials from **St. Louis County Election Board** indicated:

This amendment creates a system to allow voters to cast Early ballots at central voting locations and satellite sites. The Early voting period will be twenty days prior to Election Day and shall be conducted during regular business hours and will conclude the Friday prior to the election. The election authority shall consider factors including geographic location and demographics of the registered voters from the previous election to ensure nondiscrimination and provide adequate notice of the central locations and the satellite sites that are chosen.

Assumptions: This Amendment does not require paper ballots, and only requires advance voting for federal elections. The intent of this note is to delineate all direct costs (one-time, startup and recurring) to the LEA. Costs are calculated assuming 1 central location and 12 satellite sites will be utilized.

1ST YEAR (2012) RECURRING FIXED COSTS (Annual):

Satellite Site Costs

Site Lease (21 days continuous) \$250 per day x 12 sites x 2 elections....	\$126,000
Equipment set-up, delivery, pick-up, storage, truck rental fees	
\$2,000 per site x 12 sites x 2 elections.....	\$48,000
High-Speed internet MIFI monthly fees 12 months @\$60/mo x 12 sites....	\$8,640
Travel/mileage Reimbursement \$.55 per mile x 30 miles average	
per FTE x 2 per site x 12 sites x 13 working days x 2 elections.....	\$10,296
24 hr. security \$240 per day x 12 sites x 21 days x 2 elections.....	\$120,960
Office supplies, pens, paper, and etc. \$20 per site x 12sites x 2 elections.....	\$ 480
Legal Review \$125 per hr. x 6 hrs per site x 12 sites.....	\$9,000
Total Recurring Satellite Site Costs:	\$323,376

Full-time Labor

Thirty (24) additional FTEs ("full-time equivalents"), (2 per site), (12 sites)	
@ \$32,000 per year.....	\$768,000
Benefits (\$11,729 x 24).....	\$281,496
Trainers (\$16.00 per hr. x 12 hrs. x 2 sessions x 2 trainers).....	\$768
Site Research and Setup (\$18.00 per hr. x 1000 hrs.).....	\$18,000
Total Full-time labor costs:.....	\$1,068,264

Part-time Labor

Ninety (72) additional PTEs ("part-time equivalents"), (6 per site), 12 sites @
\$10.00 per hr. x 10 hrs. Per day x 12 days per election x 2 elections..... \$172,800
Benefits (\$410 x 72 x 2 elections)..... \$ 59,040
Training (\$10.00 per hr. x 6 hrs. x 72 PTEs)..... \$43,200
Total Part-time labor costs:..... \$275,040

Total Annual year labor Costs: \$1,343,304

Miscellaneous Costs

Software License Maintenance/Upgrades
96 DREs @ \$159 each per year (8 per site), (12 sites)..... \$15,264
PC Laptop Software Maintenance/Upgrades
48 Laptops @ \$250 per year (4 per site), (12 sites)\$12,000
Informational Postcards for advance voting
447,275 households x .20 x two (2) elections\$178,910
Processing fees for providing voter lists
Paper, CD's, mailing fees, personnel time\$18,312
Total Recurring Miscellaneous Costs..... \$224,486

Total Recurring Annual Costs: \$1,891,166

NON-RECURRING, START UP COSTS

Equipment

48 laptop PCs @ \$1,000 each (4 per site) x 12 sites..... \$48,000
96 DREs @ \$3,500 each (8 per site) x 12 sites..... \$336,000
24 SSTs (Security, Transport, Storage) Carts @ \$570 each
For DREs (2 per site) x 12 sites..... \$13,680
12 High-Speed internet MIFI cards @ \$300.00 per card \$3,600
Tables, chairs, signs, posters cell phones \$400 per site x 12..... \$4,800
Training manuals..... \$2,200
Total non-recurring equipment costs:\$408,280

Labor

One (1) additional FTE,
@ \$32,000 per year for 3 months for site research and setup \$16,000
Benefits\$5,330
One (1) additional FTE,
@ \$43,000 per year for 6 months for programming changes \$43,000
Benefits\$15,762
Total non-recurring labor costs:..... \$80,092
Total non-recurring Costs: \$488,372

Officials from the **St. Louis Election Board** indicated they would expect that the cost to implement the "vote early balloting" being proposed by Mr. Cologna in the City of St. Louis would equal, if not exceed, a \$75,200.00 estimate computed in 2002. That estimate is detailed in the following computations:

LOCATIONS

Advance voting will be conducted in the City of St. Louis, Missouri at the office of the Board of Election Commissioners (BEC), which is located at 300 North Tucker Boulevard in downtown St. Louis, and at four (4) additional locations that will be situated generally as follows:

1. South City.
2. Southwest City.
3. Northwest City.
4. North City.

The intent will be to have the five (5) locations spaced out such that each is readily accessible to approximately twenty percent (20%) of the registered voters in the City of St. Louis.

COST

The Board estimated that implementing an advance voting system in the City of St. Louis will have a total fiscal impact of approximately \$75,200.00. The breakdown of that cost is as follows:

- | | | |
|----|------------------------------|-------------|
| 1. | Extra staff/election judges: | \$63,380.00 |
| 2. | Equipment and technology: | \$ 5,000.00 |
| 3. | Miscellaneous | \$ 6,820.00 |

St. Louis Board of Election Commissioners

ADVANCE VOTING PLAN DETAIL

The permissible advance voting period (the "AVP") begins 14 days prior to the election and ends at 5:00 P.M. on the Wednesday before the day of the election. This plan anticipates that each satellite location will be open during the BEC's normal business hours (8:00 A.M. to 5:00 P.M.) every day during the AVP, including Saturday but not on Sunday (for a total of 8 days). The plan also anticipates that each location (including the main office) will be staffed with 10 election judges – i.e., 4 Supervisors (2 Dem. and 2 Rep.), 4 Judges (2 Dem. and 2 Rep.), and 2 Specialists (required by the Consent Decree entered into with the Department of Justice [DOJ] in August, 2002); that there will be two teams of Roving Deputies assisting at the satellite locations as necessary; and that there will be a "pool" of alternate election day workers at the BEC's main office in the event a scheduled worker is unable to work on a given day.

Staffing

	<u>Position</u>	<u>Number</u>	<u>Cost</u>
1.	Advance Voting Deputy Assistant (6 mos.) – to monitor and coordinate all advance voting activities	1	\$12,500.00
2.	Temporary Workers – To assist with inputting data from advance voters; filing records; verifying data from satellite locations; preparing ballots for tabulation (2 per location)	10	\$ 6,000.00
3.	Election Judges -- To process the advance voters at each location (\$90/Supervisor/day; \$75/Judge and Specialist/day)	50	\$32,400.00
4.	Alternates (4 Supervisors, 4 Judges, 2 Specialists)	10	\$ 6,480.00
5.	Roving and Special Deputies (\$125/Deputy/day)	6	<u>\$ 6,000.00</u>
	Total		\$63,380.00

Equipment and Technology

Under the terms of the Consent Decree entered into with the DOJ, the BEC has committed to providing laptop computers and printers in every voting precinct by the August, 2004 federal primary election, and training its election judges to be proficient in the use of this computer technology, and the City of St. Louis, which provides funding for the BEC, has committed to ensuring that the City's annual budget allocation to the BEC will enable it to meet that commitment. As a result, we do not anticipate incurring any extraordinary costs for equipment and technology specifically to implement this Advance Voting Plan. Nevertheless, we have included \$5,000.00 in the Plan to cover the expense of any unanticipated miscellaneous equipment or licensing costs.

Miscellaneous

	<u>Description</u>	<u>Cost</u>
1.	Material and supplies	\$ 2,000.00
2.	Polling place rental (\$75/site/day)	\$ 2,400.00
3.	Training of election day workers	\$ 2,100.00
4.	Tables and chairs	\$ 200.00

5.	Delivery costs	\$ <u>120.00</u>
	Total	\$ 6,820.00

Officials from the **Kansas City Election Board** indicated they estimate that it would cost Kansas City between \$65,000 and \$95,000 to implement.

Officials from the **Platte County Board of Elections** indicated their local government estimates the fiscal impact of the above-referenced bill for fiscal years 2012, 2013 and 2014 to be as follows:

Revenues: (explain amount per fiscal year and source or reason for increase)

None

Savings: (explain amount per fiscal year, reason for savings and area where savings will occur)

None

Costs:(explain what type of costs will be incurred, amount per fiscal year and reason)

Office/Central Location Expenses:

4 Election Judges @ \$100/each/per day X 20 days of advance voting period	\$8,000
1 Touch Screen Tech @ \$100/day X 20 days advance voting period	\$2,000
FICA (7.65% x salaries)	\$459
Workers Comp Ins.	\$ 200
Optical Scan Ballots 10,000 x \$.30/each	\$3,000
Shipping	\$ 100
Provisional Ballots 200 x \$.30/ each	\$ 60
Shipping (included in optical scan above)	
Sub-Total for one election	\$13,819

Satellite Location Expenses

4 Election Judges @ \$100/each/day x 20 days	\$8,000
1 TS Tech @ \$100/day	\$2,000
FICA (7.65% x salaries)	\$ 459
Workers Compensation Insurance	\$ 200
Optical Scan Ballots 5000 x \$.30/each	\$1500
Shipping	\$ 100
Provisional Ballots 200 x \$.30/each	\$ 60
Shipping (included in Opt. Scan shipping above)	
Office/location rent and CAM fees for one month	\$7000

Utilities for one month	\$ 450
Telephone setup/monthly fee	\$ 275
DSL Line setup/monthly fee	\$ 325
Sub-Total for Satellite location for one election	\$20,369

One-Time Expenses:

Workstation & Monitor	\$3000
Printer	\$ 500
Cables	\$ 100
Sub-Total for Satellite location one-time expenses	\$3600

Total per federal/state elections \$41,388.00

Losses:(explain why revenue losses would be expected and amount per fiscal year)

None

Officials from the **Jackson County Election Board** indicated Oversight of Advanced Voting would require at least one person to coordinate all aspects of the operation.

Annual Cost for Coordinator: \$35,000.00

Other related 1 (one) time cost:

6 Additional Precinct Ballot Counters	\$59,100.00
60 Additional Voting Booths	\$15,000.00
6 Laptop Computers	<u>\$ 5,400.00</u>

Total one time cost: \$79,500.00

COST PER ELECTION:

Jackson County Election Board had 234,109 registered voters. Based on the formula of 1 satellite site per 50,000 voters, board officials estimated they would have to use 6 locations due to the logistics of the jurisdiction to insure nondiscrimination in the representation of registered voters.

Site Rental based on current real estate rates:

6 locations	\$63,000.00
Internet Cable Connection to Missouri	
Central Voter Registration Data Base:	
6 locations	\$ 1,800.00
Misc. Supplies and expenses	\$ 5,000.00
Election Services Fund	\$ 9,623.00
Ballot Printing	\$ 1,000.00
Ballots	<u>\$12,903.00</u>
Total	<u>\$93,326.00</u>

Legal Public Notice	\$20,735.00
Election Judges for 6 locations 20 days	\$92,460.00
Election Assistant/Technician 6 locations 20 days	<u>\$18,210.00</u>
Total	<u>\$110,670.00</u>
ONE TIME COST	\$ 79,500.00
ONGOING COST	\$ 35,000.00
GRAND TOTAL FOR ONE ELECTION	\$224,731.00
GRAND TOTAL FOR ALL 3 COUNTY-WIDE ELECTIONS	\$674,193.00

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no direct fiscal impact on their college.

The State Auditor's office did not receive a response from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Jackson County Legislators**, **St. Louis County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, **St. Louis Community College**, and **Clay County Election Board**.

Fiscal Note Summary

It is estimated state government entities would reimburse election authorities for incurred costs of at least \$974,016 in fiscal year 2015 (one-time costs of \$676,800 and on-going costs for each federal election of \$297,216). Those costs may be higher depending on the compensation, staffing and planning decisions of affected election authorities.

MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (10-18)

Subject

Initiative petition from Matt Cologna regarding a proposed constitutional amendment to Article VIII, version 1. (Received December 17, 2010)

Date

January 6, 2011

Description

This proposal would amend Article VIII of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, **St. Louis County Election Board**, **St. Louis City Election Board**, **Kansas City Election Board**, **Platte County Board of Elections**, **Jackson County Election Board**, and **Clay County Election Board**.

Assumptions

Officials from the **Attorney General's office** indicated that they assume that the implementation of this proposal creates no fiscal impact. However, they assume that

because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal will not have any fiscal impact on their department.

Officials from the **Department of Higher Education** indicated that the proposal contained in this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated that this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Department of Social Services** indicated there will be no fiscal impact to their department.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact on their department. Budget and Planning defers to the Secretary of State for any statewide costs.

They provided the following Technical Notes:

1. There are numerous sections in the Missouri Constitution that relate to voting which the amendment does not change. It is unclear the effects the petition may have on those sections.
2. Section 115.639.1 RSMo, requires employers to provide employees three hours away from their employment between the opening and closing of polls for the purpose of voting. However, if this section were repealed or is deemed unnecessary, there would be an estimated statewide savings of \$26,481 to \$54,106 per election.

$$\$32,592/2,080 = \$17.28 \times 1,690 = \$26,481$$

$\$32,592/2,080 = \$17.28 \times 3,453 = \$54,106$
\$32,592 average state employee salary (uniform classification and pay positions)
2,080 annual hours (to convert to hourly wage rate)
3,453 state employee voting leave with pay hours during the 2008 general election
1,690 state employee voting leave with pay hours during the 2010 general election

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated there is no direct fiscal impact to their office. Please defer to Office of Administration and Department of Revenue.

Officials from **Adair County** indicated that they estimate the additional cost to establish a central vote early location and comply with Sections 9, 10 and 11 in their county would be a minimum of \$10,700 for each election that qualified for the early voting. They said this amount is only an estimate and they anticipate the cost could be significantly higher if the central vote early location could not be housed in a county facility. In addition, they estimated the cost to comply with Sections 9, 10 and 11 for elections that do not qualify for early voting would cost a minimum of \$2000 per election.

The officials said passage of this petition will not only increase costs, but add to the work load of the election authority of their county.

Officials from **St. Charles County** indicated they estimate their cost for this proposal to result in a cost of \$334,600 for the first election held and \$289,600 for each subsequent election held under this proposal.

FIRST ELECTION

Additional site locations rent:	\$ 28,800.00
Judges:	\$100,000.00
Van rental/workers to Deliver ballots:	\$ 8,800.00
Computers:	\$ 15,000.00
Software programming to provide on site lists for voters wanting to know who has already voted in advance. 115.276.1 Sub Section 10, including Election Authority staff time:	\$ 20,000.00
Internet:	\$ 2,000.00
Ballots:	\$147,000.00
Secure Storage at satellite sites:	\$ 10,000.00
Saturday & Sunday Overtime:	\$ 3,000.00
TOTAL:	\$334,600.00

EACH ADDITIONAL ELECTION

TOTAL:	\$289,600.00
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Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no fiscal impact on their college.

Officials from the **Platte County Board of Elections** indicated their local government estimates the fiscal impact of the above-referenced bill for fiscal years 2012, 2013 and 2014 to be as follows:

Revenues: (explain amount per fiscal year and source or reason for increase)

None

Savings: (explain amount per fiscal year, reason for savings and area where savings will occur)

None

Costs:(explain what type of costs will be incurred, amount per fiscal year and reason)

Office/Central Location Expenses:

4 Election Judges @ \$100/each/per day X 20 days of advance voting period	\$8,000
1 Touch Screen Tech @ \$100/day X 20 days advance voting period	\$2,000
FICA (7.65% x salaries)	\$459
Workers Comp Ins.	\$200
Optical Scan Ballots 10,000 x \$.30/each	\$3,000
Shipping	\$ 100
Provisional Ballots 200 x \$.30/ each	\$ 60
Shipping (included in optical scan above)	
Sub-Total for one election	\$13,819

Satellite Location Expenses

4 Election Judges @ \$100/each/day x 20 days	\$8,000
1 TS Tech @ \$100/day	\$2,000
FICA (7.65% x salaries)	\$ 459
Workers Compensation Insurance	\$ 200
Optical Scan Ballots 5000 x \$.30/each	\$1500
Shipping	\$ 100
Provisional Ballots 200 x \$.30/each	\$ 60
Shipping (included in Opt. Scan shipping above)	
Office/location rent and CAM fees for one month	\$7000
Utilities for one month	\$ 450
Telephone setup/monthly fee	\$ 275
DSL Line setup/monthly fee	\$ 325
Sub-Total for Satellite location for one election	\$20,369

One-Time Expenses:	
Workstation & Monitor	\$3000
Printer	\$ 500
Cables	\$ 100
Sub-Total for Satellite location one-time expenses	\$3600
Total per federal/state elections	\$41,388.00

LOSSES:(explain why revenue losses would be expected and amount per fiscal year)

None

Officials from the **Jackson County Election Board** indicated

Oversight of Advanced Voting would require at least one person to coordinate all aspects of the operation.

Annual Cost for Coordinator:	\$35,000.00
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Other related 1 (one) time cost:	
6 Additional Precinct Ballot Counters	\$59,100.00
60 Additional Voting Booths	\$15,000.00
6 Laptop Computers	<u>\$ 5,400.00</u>
Total one time cost:	\$79,500.00

COST PER ELECTION:

Jackson County Election Board had 234,109 registered voters. Based on the formula of 1 satellite site per 50,000 voters, board officials estimated they would have to use 6 locations due to the logistics of the jurisdiction to ensure nondiscrimination in the representation of registered voters.

Site Rental based on current real estate rates:	
6 locations	\$63,000.00
Internet Cable Connection to Missouri	
Central Voter Registration Data Base:	
6 locations	\$ 1,800.00
Misc. Supplies and expenses	\$ 5,000.00
Election Services Fund	\$ 9,623.00
Ballot Printing	\$ 1,000.00
Ballots	<u>\$12,903.00</u>
Total	<u>\$93,326.00</u>
Legal Public Notice	\$20,735.00

Election Judges for 6 locations 20 days	\$92,460.00
Election Assistant/Technician 6 locations 20 days	<u>\$18,210.00</u>
Total	<u>\$110,670.00</u>
ONE TIME COST	\$ 79,500.00
ONGOING COST	\$ 35,000.00
GRAND TOTAL FOR ONE ELECTION	\$224,731.00
GRAND TOTAL FOR ALL 3 COUNTY-WIDE ELECTIONS	\$674,193.00

The **State Auditor's office** assumes a total of 48 satellite voting sites will be required in 17 affected election authorities.

One-time estimated costs:

\$676,800 for local election authorities to equip the satellite locations at \$14,100 per satellite

On-going estimated costs (for each federal general election):

\$235,008 for 4 election judges at each of the satellite locations for 136 hours per judge at \$9 per hour.

\$60,480 for maintenance of the satellite locations, including rent, utilities, and broadband Internet service at \$1,260 per satellite

\$283,968 for 2 election judges at each central vote early location (114 counties plus the City of St. Louis and Kansas City) for 136 hours per judge at \$9 per hour

Total estimated local government costs:

\$676,800 one-time + \$579,456 on-going (for each federal general election) = \$1,256,256

These costs will fluctuate depending on the compensation, staffing and planning decisions of election authorities.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Transportation**, the **Missouri Senate**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Louis County**, **Taney County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, **St. Louis**

Community College, St. Louis County Election Board, St. Louis City Election Board, Kansas City Election Board, and Clay County Election Board.

Fiscal Note Summary

It is estimated state government entities would incur unknown potential litigation costs and local governments would incur costs of at least \$1,256,256 (one-time costs of \$676,800 and on-going costs for each federal election of \$579,456). Those costs may fluctuate depending on the compensation, staffing and planning decisions of election authorities.

MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (10-19)

Subject

Initiative petition from Matt Cologna regarding a proposed constitutional amendment to Article VIII, version 2. (Received December 17, 2010)

Date

January 6, 2011

Description

This proposal would amend Article VIII of the Missouri Constitution.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, **St. Louis County Election Board**, **St. Louis City Election Board**, **Kansas City Election Board**, **Platte County Board of Elections**, **Jackson County Election Board**, and **Clay County Election Board**.

Assumptions

Officials from the **Attorney General's office** indicated that they assume that the implementation of this proposal creates no fiscal impact. However, they assume that

because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal will not have any fiscal impact on their department.

Officials from the **Department of Higher Education** indicated that the proposal contained in this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated that this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Department of Social Services** indicated there will be no fiscal impact to their department.

Officials from **Department of Conservation** indicated no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated this proposal will have no fiscal impact on their department. Budget and Planning defers to the Secretary of State for any statewide costs.

They provided the following Technical Notes:

1. There are numerous sections in the Missouri Constitution that relate to voting which the amendment does not change. It is unclear the effects the petition may have on those sections.
2. Section 115.639.1 RSMo, requires employers to provide employees three hours away from their employment between the opening and closing of polls for the purpose of voting. However, if this section were repealed or is deemed unnecessary, there would be an estimated statewide savings of \$26,481 to \$54,106 per election.

$$\$32,592/2,080 = \$17.28 \times 1,690 = \$26,481$$

$\$32,592/2,080 = \$17.28 \times 3,453 = \$54,106$
\$32,592 average state employee salary (uniform classification and pay positions)
2,080 annual hours (to convert to hourly wage rate)
3,453 state employee voting leave with pay hours during the 2008 general election
1,690 state employee voting leave with pay hours during the 2010 general election

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **State Treasurer's office** indicated there is no direct fiscal impact to their office. Please defer to Office of Administration and Department of Revenue.

Officials from **Adair County** indicated that they estimate the additional cost to establish a central vote early location and comply with Sections 9, 10 and 11 in their county would be a minimum of \$10,700 for each election that qualified for the early voting. They said this amount is only an estimate and they anticipate the cost could be significantly higher if the central vote early location could not be housed in a county facility. In addition, they estimated the cost to comply with Sections 9, 10 and 11 for elections that do not qualify for early voting would cost a minimum of \$2000 per election.

The officials said passage of this petition will not only increase costs, but add to the work load of the election authority of their county.

Officials from **St. Charles County** indicated they estimate their cost for this proposal to result in a cost of \$334,600 for the first election held and \$289,600 for each subsequent election held under this proposal.

FIRST ELECTION

Additional site locations rent:	\$ 28,800.00
Judges:	\$100,000.00
Van rental/workers to Deliver ballots:	\$ 8,800.00
Computers:	\$ 15,000.00
Software programming to provide on site lists for voters wanting to know who has already voted in advance. 115.276.1 Sub Section 10, including Election Authority staff time:	\$ 20,000.00
Internet:	\$ 2,000.00
Ballots:	\$147,000.00
Secure Storage at satellite sites:	\$ 10,000.00
Saturday & Sunday Overtime:	\$ 3,000.00
TOTAL:	\$334,600.00

EACH ADDITIONAL ELECTION

TOTAL:	\$289,600.00
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Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no fiscal impact on their college.

Officials from the **Platte County Board of Elections** indicated their local government estimates the fiscal impact of the above-referenced bill for fiscal years 2012, 2013 and 2014 to be as follows:

Revenues: (explain amount per fiscal year and source or reason for increase)

None

Savings: (explain amount per fiscal year, reason for savings and area where savings will occur)

None

Costs:(explain what type of costs will be incurred, amount per fiscal year and reason)

Office/Central Location Expenses:

4 Election Judges @ \$100/each/per day X 20 days of advance voting period	\$8,000
1 Touch Screen Tech @ \$100/day X 20 days advance voting period	\$2,000
FICA (7.65% x salaries)	\$459
Workers Comp Ins.	\$200
Optical Scan Ballots 10,000 x \$.30/each	\$3,000
Shipping	\$ 100
Provisional Ballots 200 x \$.30/ each	\$ 60
Shipping (included in optical scan above)	
Sub-Total for one election	\$13,819

Satellite Location Expenses

4 Election Judges @ \$100/each/day x 20 days	\$8,000
1 TS Tech @ \$100/day	\$2,000
FICA (7.65% x salaries)	\$ 459
Workers Compensation Insurance	\$ 200
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Office/location rent and CAM fees for one month	\$7000
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Sub-Total for Satellite location for one election	\$20,369

One-Time Expenses:	
Workstation & Monitor	\$3000
Printer	\$ 500
Cables	\$ 100
Sub-Total for Satellite location one-time expenses	\$3600
Total per federal/state elections	\$41,388.00

LOSSES:(explain why revenue losses would be expected and amount per fiscal year)

None

Officials from the **Jackson County Election Board** indicated

Oversight of Advanced Voting would require at least one person to coordinate all aspects of the operation.

Annual Cost for Coordinator:	\$35,000.00
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Other related 1 (one) time cost:	
6 Additional Precinct Ballot Counters	\$59,100.00
60 Additional Voting Booths	\$15,000.00
6 Laptop Computers	<u>\$ 5,400.00</u>
Total one time cost:	\$79,500.00

COST PER ELECTION:

Jackson County Election Board had 234,109 registered voters. Based on the formula of 1 satellite site per 50,000 voters, board officials estimated they would have to use 6 locations due to the logistics of the jurisdiction to ensure nondiscrimination in the representation of registered voters.

Site Rental based on current real estate rates:	
6 locations	\$63,000.00
Internet Cable Connection to Missouri	
Central Voter Registration Data Base:	
6 locations	\$ 1,800.00
Misc. Supplies and expenses	\$ 5,000.00
Election Services Fund	\$ 9,623.00
Ballot Printing	\$ 1,000.00
Ballots	<u>\$12,903.00</u>
Total	<u>\$93,326.00</u>
Legal Public Notice	\$20,735.00

Election Judges for 6 locations 20 days	\$92,460.00
Election Assistant/Technician 6 locations 20 days	<u>\$18,210.00</u>
Total	<u>\$110,670.00</u>
ONE TIME COST	\$ 79,500.00
ONGOING COST	\$ 35,000.00
GRAND TOTAL FOR ONE ELECTION	\$224,731.00
GRAND TOTAL FOR ALL 3 COUNTY-WIDE ELECTIONS	\$674,193.00

The **State Auditor's office** assumes a total of 48 satellite voting sites will be required in 17 affected election authorities.

One-time estimated costs:

\$676,800 for local election authorities to equip the satellite locations at \$14,100 per satellite

On-going estimated costs (for each federal general election):

\$235,008 for 4 election judges at each of the satellite locations for 136 hours per judge at \$9 per hour.

\$60,480 for maintenance of the satellite locations, including rent, utilities, and broadband Internet service at \$1,260 per satellite

\$283,968 for 2 election judges at each central vote early location (114 counties plus the City of St. Louis and Kansas City) for 136 hours per judge at \$9 per hour

Total estimated local government costs:

\$676,800 one-time + \$579,456 on-going (for each federal general election) = \$1,256,256

These costs will fluctuate depending on the compensation, staffing and planning decisions of election authorities.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Transportation**, the **Missouri Senate**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Louis County**, **Taney County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **University of Missouri**, **St. Louis**

Community College, St. Louis County Election Board, St. Louis City Election Board, Kansas City Election Board, and Clay County Election Board.

Fiscal Note Summary

It is estimated state government entities would incur unknown potential litigation costs and local governments would incur costs of at least \$1,256,256 (one-time costs of \$676,800 and on-going costs for each federal election of \$579,456). Those costs may fluctuate depending on the compensation, staffing and planning decisions of election authorities.

MISSOURI STATE AUDITOR'S OFFICE FISCAL NOTE (10-23)

Subject

Initiative petition from Ron Calzone regarding a proposed amendment to Chapter 116 of the Revised Statutes of Missouri. (Received December 27, 2010)

Date

January 10, 2011

Description

This proposal would amend Chapter 116 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2012.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Callaway County**, **Cole County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**, the **State Tax Commission**.

Assumptions

Officials from the **Attorney General's office** indicated that they assume that the implementation of this proposal creates no fiscal impact. However, they assume that because this proposal has the potential to be the subject of state litigation, potential costs are unknown.

Officials from the **Department of Economic Development** indicated this proposal will have no fiscal impact for their department.

Officials from the **Department of Higher Education** indicated that the proposal contained in this initiative petition would have no direct, foreseeable fiscal impact on their department.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated that this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to their department.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this initiative petition.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition has no fiscal impact to the operations budget of their agency.

Officials from the **Department of Conservation** indicated that no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Office of Administration (OA)** indicated there should be no added costs or savings to their office.

Officials from the **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In fiscal year 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the

purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

Additionally, this petition would provide proponents of a petition 30 days after the issuance of a certificate of sufficiency or insufficiency to "reclaim" voters' signatures deemed invalid by the local election authority. In 2012, the Secretary of State must issue certificates of sufficiency or insufficiency by August 7, 2012 (RSMo 116.150). Also, the Secretary of State must certify all ballot measures to the local election authorities by August 28, 2012 (RSMo 116.240). These deadlines allow time for the local election authorities to have their ballots printed in a timely manner for absentee balloting. The passage of this bill would create challenges to meeting the statutory deadlines.

If this petition is passed, there would be increased personnel costs required to verify the invalid signatures challenged by the proponent of the petition. Based on the 2010 petition cycle, 141,103 signatures were deemed invalid for four submitted petitions. Assuming 2 minutes to verify each signature and \$15 per hour for staff, the personnel cost could be up to \$70,545.

$141,103 \text{ invalid signatures} \times 2 \text{ minutes to verify} = 282,206 \text{ minutes}$

$282,206 \text{ minutes} / 60 \text{ min} = 4,703 \text{ hours}$

$4,703 \text{ hours} \times \$15/\text{hr} = \$70,545$

If this petition is passed, additional personnel would be needed to process petitions submitted to the Secretary of State's office that will be required to be organized in "substantial compliance" with the law in order to distribute pages to the appropriate local election authority for signature verification. Based on the 2010 petition cycle, this could cost up to \$5,520.

$6 \text{ folders per hr} \times 8 \text{ hrs day} = 48 \text{ folders per day}$

$276 \text{ folders per petition} / 48 \text{ folders per day} = 46 \text{ hours per petition}$

$46 \text{ hrs} \times 2 \text{ staff members} \times \$15.00 = \$1,380 \text{ per petition}$

$\$1,380 \times 4 \text{ petitions} = \$5,520$

Finally, there could be an increased costs of \$1,085,139 for local election authorities if ballots need to be reprinted.

$3,091,565 \text{ ballots cast in 2008 General Election} \times 1.3^* = 4,019,034 \text{ ballots}$

$4,019,034 \text{ ballots} \times \$0.27 \text{ per ballot} = \$1,085,139$

*RSMo 115.247.3 requires one and one-third of the ballots cast in the previous election

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any significant impact on their office.

Officials from the **City of Jefferson** indicated the city estimates no fiscal impact if this ordinance becomes law.

Officials from **Rockwood R-VI School District** indicated that no cost or savings are anticipated from this initiative.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact to their college.

Officials from **Metropolitan Community College** indicated this petition would have no fiscal impact on their college.

The State Auditor's office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Department of Transportation**, the **Missouri Senate**, the **State Treasurer's office**, **Callaway County**, **Cole County**, **Jackson County Legislators**, **St. Charles County**, **St. Louis County**, the **City of Kansas City**, the **City of St. Joseph**, the **City of St. Louis**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **University of Missouri**, **St. Louis Community College**, the **State Tax Commission**.

Fiscal Note Summary

State government would incur estimated costs of up to \$76,000 and could incur other unknown potential litigation costs. Local election authorities could incur estimated costs exceeding \$1 million if ballot reprinting would be necessary.